# Appendix A: State and Industry Facility Cost Details

# 1999 BOMA
# Experience Exchange Report
# Expenses

**BOMA states: Why don't the figures in the individual epxense detail categories add up to the expense totals?**
Each individual category, including the "Totals" category, stands by itself. In order to provide the most complete analysis of data possible, the system allows the use of individual data items, even when a survey form is not 100% completed.
For example, a survey report may only provide information on Cleaning and Utilities. These two itmes will be used to compute statistics in these two categories, but the report will be removed from any total computations and any other statistic where it did not provide information.

In short, each statistic, whether an individual category or a category "total," can be considered meaningful in its own right and representative fo the widest amount of data available.

***Expense Comparison: 1997-1998***

***U.S. Private Sector***

| Expenses | 1997 | Adj. 1997 to 1998 | 1998 |
|---|---|---|---|
| Cleaning | $1.13 | $1.15 | $1.15 |
| Repairs/Maintenance | $1.32 | $1.34 | $1.36 |
| Utilities | $1.82 | $1.85 | $1.78 |
| Roads/Grounds | $0.16 | $0.16 | $0.16 |
| Security | $0.43 | $0.44 | $0.46 |
| Administrative | $1.08 | $1.10 | $1.09 |
| **Total Operating Expenses** | **$5.90** | **$5.99** | **$5.99** |
| **Fixed Expenses** | **$2.71** | **$2.75** | **$2.72** |
| **Total Expenses** | **$8.69** | **$8.83** | **$8.72** |

***Expense Comparison: 1997-1998***

***U.S. Private Sector Downtown Buildings***

| Expenses | 1997 | Adj. 1997 to 1998 | 1998 |
|---|---|---|---|
| Cleaning | $1.26 | $1.28 | $1.28 |
| Repairs/Maintenance | $1.47 | $1.49 | $1.53 |
| Utilities | $1.88 | $1.91 | $1.81 |
| Roads/Grounds | $0.10 | $0.10 | $0.09 |
| Security | $0.49 | $0.50 | $0.54 |
| Administrative | $1.10 | $1.12 | $1.14 |
| **Total Operating Expenses** | **$6.24** | **$6.34** | **$6.38** |
| **Fixed Expenses** | **$3.13** | **$3.18** | **$3.19** |
| **Total Expenses** | **$9.46** | **$9.61** | **$9.52** |

***Expense Comparison: 1997-1998***

***U.S. Private Sector - Suburban Buildings***

| Expenses | 1997 | Adj. 1997 to 1998 | 1998 |
|---|---|---|---|
| Cleaning | $0.88 | $0.89 | $0.93 |
| Repairs/Maintenance | $1.06 | $1.08 | $1.09 |
| Utilities | $1.73 | $1.76 | $1.74 |
| Roads/Grounds | $0.26 | $0.26 | $0.25 |
| Security | $0.31 | $0.31 | $0.33 |
| Administrative | $1.03 | $1.05 | $1.01 |
| **Total Operating Expenses** | **$5.26** | **$5.34** | **$5.34** |
| **Fixed Expenses** | **$1.89** | **$1.92** | **$2.09** |
| **Total Expenses** | **$7.22** | **$7.34** | **$7.45** |

***Expense Comparison: 1997-1998***
***Seattle, WA - All Downtown***
***Private Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building F*** | |
| Cleaning | $1.22 | $1.23 |
| Repairs/Maintenance | $1.35 | $1.41 |
| Utilities | $1.17 | $1.17 |
| Roads/Grounds | $0.09 | $0.07 |
| Security | $0.30 | $0.30 |
| Administrative | $0.95 | $0.92 |
| **Total Operating Expenses** | **$5.06** | **$5.40** |
| **Fixed Expenses** | **$1.43** | **$1.46** |
| **Total Expenses** | **$6.49** | **$6.95** |

***Expense Comparison: 1997-1998***
***Seattle, WA - Downtown - 300,000 - 599,999 Sq Ft***
***Private Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building Rentab*** | |
| Cleaning | $0.86 | $0.75 |
| Repairs/Maintenance | $1.03 | $0.92 |
| Utilities | $0.79 | $0.79 |
| Roads/Grounds | $0.09 | $0.07 |
| Security | $0.28 | $0.24 |
| Administrative | $0.97 | $0.92 |
| **Total Operating Expenses** | **$4.02** | **$3.69** |
| **Fixed Expenses** | **$1.41** | **$1.46** |
| **Total Expenses** | **$5.43** | **$5.15** |

***Expense Comparison: 1997-1998***
***Seattle, WA - Downtown - 100,000 - 299,999 Sq Ft***
***Private Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building F*** | |
| Cleaning | $1.60 | $1.83 |
| Repairs/Maintenance | $1.48 | $1.60 |
| Utilities | $1.04 | $1.04 |
| Roads/Grounds | $0.10 | $0.13 |
| Security | $0.24 | $0.16 |
| Administrative | $1.19 | $1.15 |
| **Total Operating Expenses** | **$5.62** | **$6.35** |
| **Fixed Expenses** | **$1.16** | **$1.43** |
| **Total Expenses** | **$6.77** | **$7.14** |

***Expense Comparison: 1997-1998***
***Seattle, WA - All Suburban***
***Private Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building Rentab*** | |
| Cleaning | $1.27 | $1.12 |
| Repairs/Maintenance | $0.90 | $0.85 |
| Utilities | $1.65 | $1.86 |
| Roads/Grounds | $0.18 | $0.28 |
| Security | $0.11 | $0.08 |
| Administrative | $0.96 | $0.58 |
| **Total Operating Expenses** | **$4.92** | **$4.45** |
| **Fixed Expenses** | **$1.42** | **$1.38** |
| **Total Expenses** | **$6.37** | **$5.91** |

***Expense Comparison: 1997-1998***
***Spokane, WA - All Downtown***
***Private Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building F*** | |
| Cleaning | $0.96 | $0.97 |
| Repairs/Maintenance | $1.22 | $1.34 |
| Utilities | $1.48 | $1.40 |
| Roads/Grounds | $0.00 | $0.00 |
| Security | $0.04 | $0.04 |
| Administrative | $0.63 | $0.69 |
| **Total Operating Expenses** | **$4.39** | **$4.40** |
| **Fixed Expenses** | **$1.11** | **$1.02** |
| **Total Expenses** | **$5.50** | **$5.52** |

***Expense Comparison: 1997-1998***
***Seattle, WA - All Downtown***
***Government Sector***

| Expenses | Average | Median |
|---|---|---|
| | ***Total Building Rentab*** | |
| Cleaning | $1.04 | $1.36 |
| Repairs/Maintenance | $0.97 | $1.04 |
| Utilities | $0.98 | $0.84 |
| Roads/Grounds | $0.00 | $0.00 |
| Security | $0.00 | $0.00 |
| Administrative | $0.16 | $0.15 |
| **Total Operating Expenses** | **$3.77** | **$4.18** |

**Age Height Comparisons (Averages)**
**< 5 Stories**

| **Expenses** | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.07 | $0.94 | $0.98 | $0.83 | $2.05 | $0.78 |
| Repairs/Maintenance | $1.00 | $1.06 | $1.09 | $1.32 | $2.43 | $1.41 |
| Utilities | $1.87 | $1.77 | $1.94 | $2.11 | $1.87 | $1.84 |
| Roads/Grounds | $0.38 | $0.31 | $0.23 | $0.22 | $0.29 | $0.50 |
| Security | $0.27 | $0.20 | $0.32 | $0.20 | $1.00 | $0.50 |
| Administrative | $1.06 | $0.87 | $0.75 | $0.78 | $1.73 | $0.99 |
| **Total Operating Expenses** | **$5.57** | **$5.14** | **$5.23** | **$5.41** | **$9.17** | **$5.98** |
| **Fixed Expenses** | **$2.04** | **$1.72** | **$1.36** | **$1.46** | **$2.12** | **$2.95** |
| **Total Expenses** | **$7.51** | **$6.84** | **$6.68** | **$6.87** | **$13.23** | **$8.94** |

**Age Height Comparisons (Averages)**
**5-9 Stories**

| **Expenses** | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.05 | $0.98 | $1.01 | $1.12 | $1.00 | $1.24 |
| Repairs/Maintenance | $1.12 | $1.07 | $1.40 | $1.26 | $1.37 | $1.35 |
| Utilities | $1.86 | $1.63 | $1.76 | $1.93 | $2.25 | $1.86 |
| Roads/Grounds | $0.20 | $0.24 | $0.20 | $0.16 | $0.07 | $0.11 |
| Security | $0.44 | $0.31 | $0.20 | $0.35 | $0.22 | $0.84 |
| Administrative | $1.08 | $1.09 | $1.00 | $1.14 | $0.91 | $1.12 |
| **Total Operating Expenses** | **$5.72** | **$5.27** | **$5.49** | **$5.92** | **$5.75** | **$5.37** |
| **Fixed Expenses** | **$2.10** | **$1.98** | **$1.97** | **$2.72** | **$1.70** | **$1.50** |
| **Total Expenses** | **$7.84** | **$7.26** | **$7.46** | **$8.88** | **$7.45** | **$6.58** |

**Age Sq Ft Comparisons (Averages)**
**All Sizes**

| **Expenses** | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.14 | $1.04 | $1.19 | $1.18 | $1.72 | $1.45 |
| Repairs/Maintenance | $1.22 | $1.25 | $1.50 | $1.62 | $1.88 | $1.73 |
| Utilities | $1.68 | $1.69 | $2.09 | $1.92 | $1.98 | $1.83 |
| Roads/Grounds | $0.17 | $0.17 | $0.10 | $0.13 | $0.09 | $0.09 |
| Security | $0.45 | $0.38 | $0.41 | $0.56 | $0.61 | $0.52 |
| Administrative | $1.18 | $1.03 | $0.97 | $1.02 | $1.12 | $1.18 |
| **Total Operating Expenses** | **$5.81** | **$5.56** | **$6.23** | **$6.39** | **$7.41** | **$6.81** |
| **Fixed Expenses** | **$3.44** | **$2.70** | **$2.49** | **$2.45** | **$4.84** | **$2.65** |
| **Total Expenses** | **$9.28** | **$8.12** | **$8.73** | **$8.85** | **$12.26** | **$9.46** |

**Age Sq Ft Comparisons (Averages)**
**< 50,000 Sq Ft**

| Expenses | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.22 | $0.93 | $1.04 | $1.09 | $1.19 | $0.98 |
| Repairs/Maintenance | $1.04 | $1.13 | $1.10 | $1.36 | $1.64 | $1.44 |
| Utilities | $1.66 | $1.78 | $1.95 | $2.05 | $1.69 | $1.58 |
| Roads/Grounds | $0.35 | $0.33 | $0.29 | $0.16 | $0.32 | $0.08 |
| Security | $0.18 | $0.15 | $0.14 | $0.26 | $0.11 | $0.38 |
| Administrative | $0.90 | $0.81 | $0.70 | $1.24 | $1.23 | $1.00 |
| **Total Operating Expenses** | **$5.27** | **$5.03** | **$5.13** | **$6.04** | **$5.95** | **$5.29** |
| **Fixed Expenses** | **$1.69** | **$1.66** | **$1.27** | **$1.87** | **$1.57** | **$1.23** |
| **Total Expenses** | **$7.03** | **$6.69** | **$6.36** | **$7.91** | **$6.94** | **$6.48** |

**Age Sq Ft Comparisons (Averages)**
**50,000 - 99,999 Sq Ft**

| Expenses | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.09 | $0.95 | $1.09 | $1.15 | | $1.23 |
| Repairs/Maintenance | $0.93 | $1.09 | $1.33 | $1.32 | | $1.43 |
| Utilities | $1.76 | $1.75 | $2.07 | $1.99 | | $1.64 |
| Roads/Grounds | $0.33 | $0.29 | $0.27 | $0.14 | | $0.15 |
| Security | $0.31 | $0.17 | $0.22 | $0.28 | | $0.51 |
| Administrative | $1.08 | $0.91 | $0.90 | $0.98 | | $1.25 |
| **Total Operating Expenses** | **$5.43** | **$5.19** | **$5.81** | **$5.70** | | **$5.76** |
| **Fixed Expenses** | **$1.95** | **$1.68** | **$1.80** | **$1.92** | | **$1.73** |
| **Total Expenses** | **$7.14** | **$6.83** | **$7.73** | **$7.89** | | **$7.23** |

**Age Sq Ft Comparisons (Averages)**
**100,000 - 299,999 Sq Ft**

| Expenses | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.04 | $0.97 | $1.03 | $1.01 | $1.18 | $1.25 |
| Repairs/Maintenance | $1.17 | $1.15 | $1.28 | $1.51 | $1.38 | $1.54 |
| Utilities | $1.86 | $1.70 | $1.97 | $1.91 | $1.96 | $1.86 |
| Roads/Grounds | $0.24 | $0.23 | $0.15 | $0.12 | $0.07 | $0.16 |
| Security | $0.40 | $0.36 | $0.37 | $0.47 | $0.32 | $0.54 |
| Administrative | $1.14 | $1.09 | $1.06 | $0.96 | $1.06 | $1.10 |
| **Total Operating Expenses** | **$5.81** | **$5.45** | **$5.80** | **$5.97** | **$5.88** | **$6.00** |
| **Fixed Expenses** | **$2.35** | **$2.13** | **$1.81** | **$1.80** | **$1.78** | **$1.73** |
| **Total Expenses** | **$8.14** | **$7.59** | **$7.59** | **$7.77** | **$7.66** | **$7.82** |

**Age Sq Ft Comparisons (Averages)**
**300,000 - 599,999 Sq Ft**

| Expenses | 0-9 Yrs Old | 10-19 Yrs Old | 20-29 Yrs Old | 30-39 Yrs Old | 40-49 Yrs Old | > 50 Yrs Old |
|---|---|---|---|---|---|---|
| Cleaning | $1.05 | $1.04 | $1.27 | $1.34 | $1.44 | $1.75 |
| Repairs/Maintenance | $1.27 | $1.27 | $1.59 | $1.73 | $2.21 | $2.30 |
| Utilities | $1.78 | $1.60 | $2.09 | $1.96 | $2.11 | $2.02 |
| Roads/Grounds | $0.13 | $0.13 | $0.08 | $0.10 | $0.11 | $0.11 |
| Security | $0.51 | $0.45 | $0.45 | $0.72 | $0.89 | $0.72 |
| Administrative | $1.16 | $1.08 | $0.97 | $1.01 | $1.39 | $1.27 |
| **Total Operating Expenses** | **$5.87** | **$5.58** | **$6.42** | **$6.77** | **$8.37** | **$8.06** |
| **Fixed Expenses** | **$2.97** | **$2.89** | **$2.53** | **$2.93** | **$3.20** | **$3.21** |
| **Total Expenses** | **$8.86** | **$8.47** | **$9.01** | **$9.69** | **$11.57** | **$11.27** |

## Actual Expenditures for State Owned or Managed Facilities

| Facility/RSF Area | 1998 Exp. | 1999 Exp | 1998 per sf | 1999 per sf |
|---|---|---|---|---|
| ***Everett Building*** ***105,199*** | **This is a state operated facility where the state pays property taxes but not all of the maintenance costs.** | | | |
| Custodial | $87,025 | $125,061 | $0.83 | $1.19 |
| Repairs/Maintenance | $50,966 | $57,719 | $0.48 | $0.55 |
| Utilities | $102,475 | $103,804 | $0.97 | $0.99 |
| Grounds | $367 | $134 | $0.00 | $0.00 |
| Security | $0 | $0 | $0.00 | $0.00 |
| Administrative | $129,094 | $67,555 | $1.23 | $0.64 |
| Other | $16,316 | $21,247 | $0.16 | $0.20 |
| **Total Operating** | **$386,243** | **$375,520** | $3.67 | $3.57 |
| **Fixed Costs** | **$130,115** | **$150,758** | $1.24 | $1.43 |
| **Total Fixed and Operating** | **$516,358** | **$526,278** | $4.91 | $5.00 |
| ***Tacoma Centennial I*** ***152,926*** | **This is a state operated facility where the state pays property taxes but not all of the maintenance costs.** | | | |
| Custodial | $217,552 | $230,394 | $1.42 | $1.51 |
| Repairs/Maintenance | $1,563 | $56,522 | $0.01 | $0.37 |
| Utilities | $175,251 | $183,805 | $1.15 | $1.20 |
| Grounds | $0 | $433 | $0.00 | $0.00 |
| Security | $0 | $0 | $0.00 | $0.00 |
| Administrative | $152,225 | $79,800 | $1.00 | $0.52 |
| Other | $8,733 | $15,352 | $0.06 | $0.10 |
| **Total Operating** | **$555,324** | **$566,306** | $3.63 | $3.70 |
| **Fixed Costs** | **$333,582** | **$297,464** | $2.18 | $1.95 |
| **Total Fixed and Operating** | **$888,906** | **$863,770** | $5.81 | $5.65 |
| ***Tacoma Centennial II*** ***86,549*** | **This is a state operated facility where the state pays property taxes but not all of the maintenance costs.** | | | |
| Custodial | $137,896 | $155,843 | $1.59 | $1.80 |
| Repairs/Maintenance | $5,312 | $35,594 | $0.06 | $0.41 |
| Utilities | $66,740 | $65,687 | $0.77 | $0.76 |
| Grounds | $0 | $0 | $0.00 | $0.00 |
| Security | $0 | $0 | $0.00 | $0.00 |
| Administrative | $114,119 | $59,824 | $1.32 | $0.69 |
| Other | $4,912 | $10,249 | $0.06 | $0.12 |
| **Total Operating** | **$328,979** | **$327,197** | $3.80 | $3.78 |
| **Fixed Costs** | **$220,171** | **$303,671** | $2.54 | $3.51 |
| **Total Fixed and Operating** | **$549,150** | **$630,868** | $6.34 | $7.29 |
| ***Yakima DSHS*** ***99,500*** | **This was a state operated facility where the state paid property taxes but did not pay all of the maintenance costs. The state now owns these facilities.** | | | |
| Custodial | $161,817 | $153,342 | $1.63 | $1.54 |
| Repairs/Maintenance | $5,757 | $56,151 | $0.06 | $0.56 |
| Utilities | $85,518 | $101,674 | $0.86 | $1.02 |
| Grounds | $0 | $383 | $0.00 | $0.00 |
| Security | $0 | $0 | $0.00 | $0.00 |
| Administrative | $73,362 | $38,458 | $0.74 | $0.39 |
| Other | $35,281 | $21,676 | $0.35 | $0.22 |

| | | | | |
|---|---|---|---|---|
| **Total Operating** | **$361,735** | **$371,684** | $3.64 | $3.74 |
| **Fixed Costs** | **$68,293** | **$60,220** | $0.69 | $0.61 |
| **Total Fixed and Operating** | **$430,028** | **$431,904** | $4.32 | $4.34 |

| ***Kelso Building*** ***60,308*** | **This was a state operated facility where the state paid property taxes but did not pay all of the maintenance costs.  The state now owns these facilities.** | | | |
|---|---|---|---|---|
| Custodial | $78,137 | $82,262 | $0.74 | $0.78 |
| Repairs/Maintenance | $76 | $65,486 | $0.00 | $0.62 |
| Utilities | $45,942 | $74,347 | $0.44 | $0.71 |
| Grounds | $0 | $0 | $0.00 | $0.00 |
| Security | $0 | $0 | $0.00 | $0.00 |
| Administrative | $75,068 | $39,353 | $0.71 | $0.37 |
| Other | $8,579 | $14,460 | $0.08 | $0.14 |
| **Total Operating** | **$207,802** | **$275,908** | $1.98 | $2.62 |
| **Fixed Costs** | **$68,198** | **$63,314** | $0.65 | $0.60 |
| **Total Fixed and Operating** | **$276,000** | **$339,222** | $2.62 | $3.22 |

***Weighted Average Property Management Leases Operating Costs***

| | | | | |
|---|---|---|---|---|
| Custodial | $682,427.00 | $746,902.00 | $1.35 | $1.48 |
| Repairs/Maintenance | $63,674.00 | $271,472.00 | $0.13 | $0.54 |
| Utilities | $475,926.00 | $529,317.00 | $0.94 | $1.05 |
| Grounds | $367.00 | $950.00 | $0.00 | $0.00 |
| Security | $0.00 | $0.00 | $0.00 | $0.00 |
| Administrative | $543,868.00 | $284,990.00 | $1.08 | $0.56 |
| Other | $73,821.00 | $82,984.00 | $0.15 | $0.16 |
| **Total Operating** | $1,840,083.00 | $1,916,615.00 | $3.65 | $3.80 |
| **Fixed Costs** | $820,359.00 | $875,427.00 | $1.63 | $1.74 |
| **Total Fixed and Operating** | $2,660,442.00 | $2,792,042.00 | $5.27 | $5.53 |

**Actual Expenditures for State Owned/Operated Facilities**

| Expenses | Square Feet | 1998 Expense | 1999 Expense | 1998 Per sf | 1999 Per sf |
|---|---|---|---|---|---|
| Security | 2,585,400 | $1,117,725 | $1,443,587 | $0.43 | $0.56 |
| Landscaping | 2,585,400 | $802,480 | $880,477 | $0.31 | $0.34 |
| Zone 1 | 370,000 | $351,353 | $304,143 | $0.95 | $0.82 |
| Zone 2 | 510,200 | $315,175 | $360,085 | $0.62 | $0.71 |
| Zone 3 | 393,200 | $309,086 | $342,572 | $0.79 | $0.87 |
| Zone 4 | 284,100 | $234,634 | $281,368 | $0.83 | $0.99 |
| Zone 5 | 390,000 | $287,703 | $326,640 | $0.74 | $0.84 |
| Zone 6 | 478,200 | $255,856 | $264,740 | $0.54 | $0.55 |
| Zone 7 | 159,700 | $239,671 | $167,888 | $1.50 | $1.05 |
| Campus Wide Support | 2,585,400 | $1,281,109 | $1,540,494 | $0.50 | $0.60 |
| Operations Support | 2,585,400 | $133,307 | $74,118 | $0.05 | $0.03 |
| Building Systems Support | 2,585,400 | $627,958 | $854,511 | $0.24 | $0.33 |
| Custodial Service | 2,585,400 | $2,386,827 | $2,434,076 | $0.92 | $0.94 |
| Refuse/Recycling | 2,585,400 | $211,441 | $231,874 | $0.08 | $0.09 |
| Utilities | 2,585,400 | $4,788,295 | $4,988,174 | $1.85 | $1.93 |
| Administration | 2,585,400 | $1,441,020 | $1,408,375 | $0.56 | $0.54 |
| **Total** | **2,585,400** | **$14,783,640** | **$15,903,122** | **$5.72** | **$6.15** |
| ***Total Excluding Campus Wide Support*** | | | | ***$5.22*** | ***$5.56*** |

***BOMA Categories***

| | | | | | |
|---|---|---|---|---|---|
| Cleaning | 2,585,400 | $2,731,575 | $2,740,068 | $1.06 | $1.06 |
| Repairs/Maintenance | 2,585,400 | $3,902,545 | $4,442,441 | $1.51 | $1.72 |
| Utilities | 2,585,400 | $4,788,295 | $4,988,174 | $1.85 | $1.93 |
| Roads/Grounds | 2,585,400 | $802,480 | $880,477 | $0.31 | $0.34 |
| Security | 2,585,400 | $1,117,725 | $1,443,587 | $0.43 | $0.56 |
| Administrative | 2,585,400 | $1,441,020 | $1,408,375 | $0.56 | $0.54 |
| ***Total Operating Expenses*** | ***2,585,400*** | ***$14,783,640*** | ***$15,903,122*** | ***$5.72*** | ***$6.15*** |

# Appendix B: *The Olympian* Editorials: Stop State Office Sprawl

**FIRST AMENDMENT:** "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances."

# Opi

**EDITOR:** MIKE OAKLAND (news@theolympian.com): 754-5464

# The Olympian



**OUR VIEWS**

# Stop state office sprawl

**Leasing policies**


We are pleased to see the State Capitol Committee paying close attention to state leasing practices in Olympia, Lacey and Tumwater. When the state developed satellite capitol campuses in Tumwater and Lacey a decade ago, it was assumed that future state office growth would occur in those two areas. That's not what has happened. Throughout the 1990s developers constructed office buildings throughout the tri-city area, and those buildings quickly filled up with state agency employees. The developers were shaping how the South Sound community grew and where state offices were clustered. The Capitol Committee in conjunction with General Administration — the state's landlord agency — has established preferred leasing areas. The idea is to concentrate state offices in specific locations and stop the sprawl. In a series of recent decisions, Capitol Committee members have demonstrated their commitment to that worthwhile goal.

**Pranksters**


Students are always looking for a good prank to play on others. Tomfoolery such as stacking old tires around the school flagpole can be cute when no harm is done. Where young people sometimes go astray is in their judgment of what is and what is not appropriate "fun." Three students at Black Hills High School certainly crossed

# Mexican electi

WASHINGTON — The elections in Mexico on Sunday are no longer only elections for the next president of the country.

Instead, the elections constitute a profound referendum on everything from social class to education to a new national style of institutionalization.

No one knows yet which way the nation will go.

In a country where the dominating Institutional Revolutionary Party (PRI) has held total and unequivocal power for 71 years, 55 percent of Mexicans are already governed in their state and local governments by officials of the opposition parties. A respected new independent election agency will oversee the vote.

Thanks in large part to NAFTA, and a growing, entrepreneurial middle class, Mexico's economy is the strongest in the last 50 years. Half of the voters are younger than 35 and are expected to vote more independently.

Meanwhile, polls show that people are less afraid of the PRI, noted for its heavy-handedness, and that

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**YOUR VI**

## What we need is an arena for dirt bikes

There has been a lot new stuff being built, like the new skate park, the baseball field, etc.

But I am a really big fan of dirt bikes, you know, the off-road motor bikes. And we do not have a dirt bike arena. This probably will be expensive, but there are some really talented riders out there who no one knows about.

I hope someone will see this and help with my big goal. Whoever does will probably be doing most of the paying, but they will also have the pleasure of being the sponsor of this dirt bike arena. They will get to pick the name, and all the stuff like that.

There are some kids in the city of Olympia who need to be recognized for their talents.

***Jeff Hicks, Olympia***

## Counter protest at TESC was pure spitefulness

I thoroughly enjoyed Super Sat-

# Appendix C: Presentation To NASFA On Siting State Facilities

## Siting Practices for Governmental Facilities

Presentation given to the
National Association of State Facilities Administrators Conference

June 2000 in Burlington, Vermont

1

## History of the Capitol to 1900

- Olympia chosen in 1853 as a temporary territorial capital by Governor Issac Stevens
- 1855 Temporary Legislative building erected
- Territorial legislature selected Olympia as permanent Territorial Capitol in 1861
- In 1894 Ernest Flagg, a New York Architect, selected to design a new State Capitol building. National depression delayed construction.

2

## History of the Capitol 1900 - 1911

- In 1901 the state bought the Thurston County Courthouse for a temporary state capitol building - served as Capitol Building until 1927.
- In 1905 Olympia selected as location of permanent capitol
- 1911 state held a national competition to design a new capitol.

3

## The 1911 Capitol Plan

- The 1911 design competition was won by the New York Architects, Wilder and White.
  - Plan located Legislative Building and five buildings, symmetrically arranged around the domed Legislative Building, on the Capitol Campus (now the West Campus). One of the five buildings was not constructed.

4

## The Concept

- Site above city of Olympia.
- Take advantage of natural setting overlooking Puget Sound and the Olympic Mountains.
  - Building sites oriented to views
  - Open space conserved
  - Sense of capitol grouping of buildings around courtyards and plazas.

5

## Expanded in 1928

- Original 1911 Plan expanded by the landscape architectural firm of the Olmsted Brothers with a campus plan in 1928.
  - Expanded the campus design east to Capitol Way.
  - Established a basic pattern of streets, walkways and landscaping that makes up West Campus.
  - Development of Capitol Lake as a reflecting pool for the Capitol building
  - Development of Heritage park as a link between the campus and Puget Sound

6

## Major Departures from 1911 Plan

- Pritchard State Library
- General Administration Building
- Newhouse Building
- Governor's Mansion, built in 1907, retained even though it conflicts with 1911 plan.
- One of original five monumental buildings not constructed.

7

## 1957 Plan

- Study focused on solutions to traffic and circulation issues
- Identified area east of Capitol Way for campus expansion

8

## Late 50's and Early 60's

- The state moved to property on the East Side of Capitol Way to establish what is now known as the East Campus, thus assuming the general outline and design characteristics we know today. Employment Securities and Highway Licenses Buildings built on East Campus.
- Olympia comprehensive plan recommended improved connection between East and West Campus

9

## Master Plan Concept

- Provide a framework for growth.
- Describe vision and values to drive decisions.
- Comprehensive rationale and direction for future use of campus.

10

## 1970 Master Plan

- Summarized a series of planning studies during previous five years
- Provided the initial direction that resulted in the siting of the Transportation Building and Office Building 2 on the East Campus.

11

## 1982 Master Plan

- Campus serves as heart of state government
  - Functional
    - Not all functions need to be on central campus
    - Only certain locations on campus are appropriate for new buildings.
      - Technical feasibility
      - Community impact (e.g., neighborhoods)
  - Symbolic

12

## Goals of 1982 Master Plan

- Forecast Thurston County state employment to 2000.
- Determine space requirements to meet needs to 2000.
- Determine locations, landscaping, and traffic patterns.
- Recommend actions to accommodate requirements beyond Campus capacity.
- Compare cost of owning v. leasing.

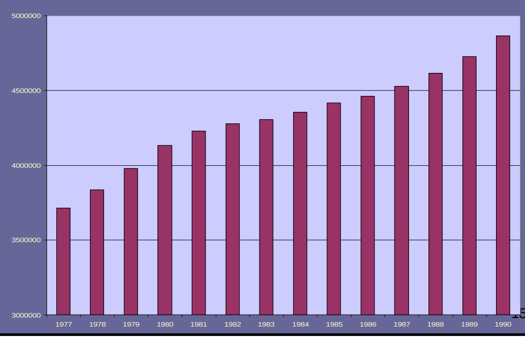
13

## Results of 1982 Plan

- Forecast 15,406 employees in 2000
- Space requirements would increase from 2.4 million sf to 3.2 million sf by 2000
- Campus capacity was identified as 1 million sf by 2000
- Provided guidance for locating facilities outside campus
- Provided economic alternatives for housing state government

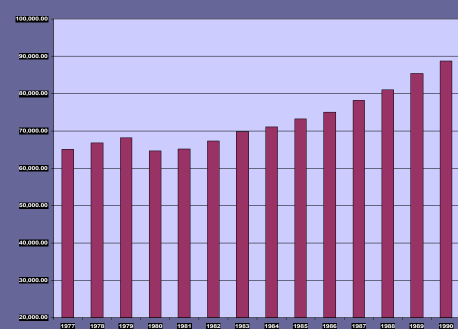
14

## 80's Population Boom in Washington



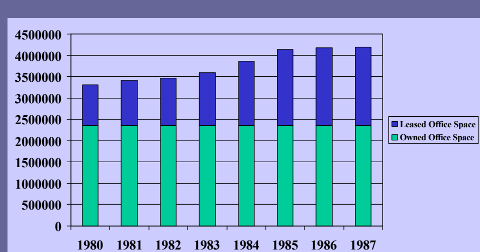

15

## At the Same Time the Number of State Workers Grew



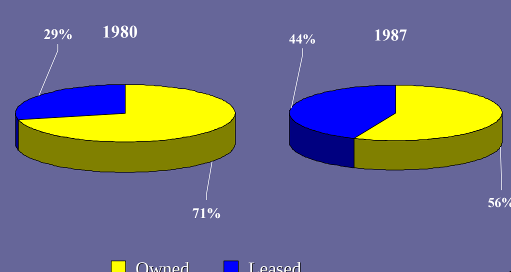

16

## In Thurston County (the seat of State Government) In Response to Growth, Office Space Was Added




17

## But The During That Time, All Office Space Growth Was In Leased Space




18

## Change in 1991

- Wilder and White's vision didn't anticipate:
  - Tremendous population growth of the state of Washington
  - Change in government functions and services
  - Changes in way buildings are used
- Realities made it necessary to expand the Campus concept to other cities in Thurston County.

19

## 1991 Capitol Master Plan

- Established two additional satellite campus locations.
- Defined limited preferred development areas as locations for state offices.
- In the early 90's the State built one office on each of the two satellite campus plus one more on the main campus.

20

## The 1991 Vision

- 20-year guide to construction, expansion and acquisition of property on three campuses.
- New thinking about transportation among campuses.
- Established models for consultation among state and local governments
- Extended to off-campus sites the quality standards of Wilder and White

21

## 1991 Strategy

- The 1991 strategy set out to provide
  - Quality service to the state's residents
  - Efficient operation of state government
  - Exemplary siting, design and architecture of state buildings
  - Preservation of the heritage and character of the Capitol Campus

22

## 1991 Facilities Goals

- 1991 Plan said state facilities should:
  - Serve customers, visitors, employees and residents
  - Be energy efficient
  - Respect the environment
  - Be developed according to sound growth management principles

23

## Locating New Offices

- Defined preferred development areas in Olympia, Lacey and Tumwater.
  - To distribute the impacts of State development
  - To best manage the impacts of development
  - To achieve sufficiently large concentration of State offices to:
    - improve public service delivery
    - support community development
    - support public transportation

24

## 1991 Findings of Dependence on Leased Space

- Costly
- Inefficient
  - State agencies exert less control over quality and design
- Forced to accept smaller buildings
- Forced to accept buildings that don't meet needs in multiple locations resulting in
  - Confusion for agency customers
  - Costly duplication of services, staff and equipment
  - Multiplication of traffic problems, parking shortages and neighborhood impacts

25

## 1991 Master Plan Called for State To

- Gradually reduce proportion of leased space to 20 percent by 2010.
- Construct approximately 3.7 million sf of space by 2010
  - 600,000 sf in Lacey
  - 900,000 sf in Tumwater
  - 2.2 million sf in Olympia

26

## 1991 Master Plan Vision For the East Campus

- East Campus functions are mostly administrative
- East Campus offers newer buildings and predominantly geometric landscape features, all of a modern style
- East Campus enhancements needed to create a more inviting place for visitors

27

## Three New Office Buildings Were Built on East Campus and at Two Satellite Campuses (Lacey and Tumwater)

| Building | Constructed | Gross Square Feet | Office Shell & Core Cost | Shell & Core per gsf |
|---|---|---|---|---|
| Natural Resources | July, 1991 | 354,800 | $33,710,000 | $95.01 |
| Labor & Industries | September, 1991 | 412,404 | $35,770,000 | $86.74 |
| Ecology | June, 1992 | 322,695 | $31,865,900 | $98.75 |

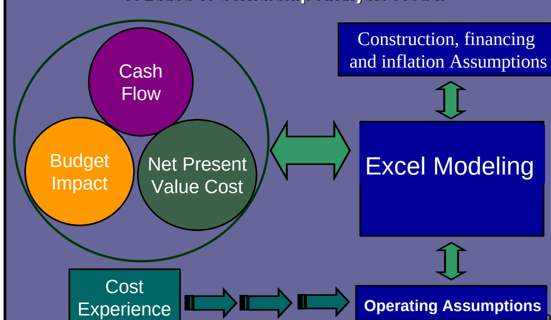
28

## Concerns were Raised About Costs. And in Response in 1995 A Legislative Audit was Conducted

- Findings of Audit
  - Given similar facilities, development and operational costs government ownership can result in significant savings.
  - If alternatives being compared are not similar then the conventional wisdom that government ownership is less costly might fail.
- Recommendations
  - Comparisons of alternatives should use the same units.
  - All quantifiable costs should be considered.
  - Net present value cost analysis,cash flow analysis and sensitivity analysis should be done. The discount rate should be higher than the state borrowing rate.
  - The state should set aside reserves for major maintenance.

29

## As a Result the State Developed A Lease v. Ownership Analysis Model




30

## Recent Pressures for Change

- Under housed staff
- Fragmentation
- Lease cost escalation
- Leased facility dispersal outside preferred development areas
- Bond costs bumping against limit
- Other capital budget priorities

31

## These Pressures Led to a Call for Additional Thurston County Planning Information

32

## Thurston County Plan Scope of Work

- The Current Situation
  - How do facilities affect operations and service?
  - What costs should be considered when making facilities decisions?
  - Overcrowding corrected by moving - when?
  - Effect of fragmentation
- Forecasting Needs
  - Space needs for today
  - Solving today's problems
  - Forecast future space needs

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## Thurston County Plan Scope of Work (Cont.)

- Facility Standards
  - Owned and leased space standards
  - Technical & design specifications
  - Location factors
  - Decision-making criteria
    - budget
    - financial
    - life cycle cost
- Facility Management
  - What justifies agency move
  - Better coordination of leasing of space
  - Changes to improve state management of existing space

34

## Thurston County Plan Scope of Work (Cont.)

- Planning new facilities
  - Changes to improve planning, approving, budgeting and siting facilities
  - Procurement process changes
- 10-year Space Plan
  - Policy framework
  - Program framework
  - Project schedule
  - Financing concept

35

## Where Current Planning Effort Might Lead

- Establish Preferred Leasing Areas in addition to Preferred Development Areas.
- Policy Revisions regarding:
  - Project financing
  - Ownership and leasing decisions
  - Budgeting processes, building cost, and financial decision making
  - Space needs forecasting
  - Work place building standards

36

Locating State Offices
Proposed Preferred Leasing Areas
and Preferred Development Areas


37

## New Non-Monumental Office Building Standard Design & Experience

- Dignity and human scale - not institutional
- Express stewardship and public trust and enhance community
- Respond to site and context
- Provide landscaping and clear pedestrian access to building; promote and access public transportation
- Separate pedestrian and vehicular traffic
- Provide close ADA parking to each accessible entry
- Clear circulation around site
- Aid productivity, ensure security, permit flexibility/expansion
- Public lobbies have security and access control
- Accommodate 24-hour workday 7 days a week
- Circulation and way finding in building should be clear
- Core should have capacity for additions or changes of service
- Flexible break spaces and personal spaces; food service next to meeting rooms

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New Non-Monumental Office Building Standard
Materials & Systems

- **Minimum 50-year life**
- **Meet ADA requirements, barrier free universal access**
- **Healthy buildings**
- **Use sustainable materials when possible and cost effective**
- **Provide large clear spans for maximum flexibility in open work areas**
- **Minimum 13' floor height**
- **No stucco, dryvit or substitutes**
- **Roof pedestrian pads, good slope, 20 yr. Life, minimal penetrations**
- **Systems furniture and durable materials in interior**
- **Multi-zone capacity long life mechanical**
- **Indirect and direct lighting capability**
- **Quality security systems**
- **Emergency power capability**
- **Wired and designed to meet future technological needs (video, LAN, accessible wire management.)**

39

## Unit Cost for New Standard

- The per gsf project costs for this new standard have been identified:

| Cost Factors Summary | | |
|---|---|---|
| | **State Development** | **Private Development** |
| | **2000 Dollars** | **2000 Dollars** |
| **"Hard" Costs** | | |
| | | |
| **ACQUISITION COSTS** | | |
| Purchase/Lease Cost | Cost not available for these items since they vary depending on location. | |
| Appraisal and Closing Costs | | |
| Right-of-Way Costs | | |
| Demolition | | |
| | | |
| **CONSTRUCTION CONTRACTS** | | |
| Site work | $13.50 | $13.50 |
| Building construction | $124.00 | $124.00 |
| Sewer, water connection fees | $0.70 | $0.70 |
| | | |
| **"Soft" Costs** | | |
| | | |
| **Consultant services** | | |
| Predesign Consultant Services | $0.90 | $0.70 |
| A/E Basic Design Services | $7.50 | $5.30 |
| A/E Extra Services/Reimbursables | $1.20 | $0.90 |
| Other Services | $5.00 | $4.30 |
| Design Services Contingency | $0.70 | $0.50 |
| | | |
| **Construction contigency** | | |
| Management reserve | $6.90 | $6.90 |
| Allowance for change orders | $6.90 | $6.90 |
| Sales tax on construction | $12.20 | $12.20 |
| | | |
| **Equipment costs** | | |
| Fixed | $0.40 | $0.40 |
| Movable equipment | $0.60 | $0.60 |
| Furnishings | $13.40 | $13.40 |
| Information technology | $0.60 | $0.60 |
| Sales Tax | $1.20 | $1.20 |
| | | |
| **Artwork** | **$0.70** | **$0.00** |
| | | |
| **Other costs** | | |
| Financing costs | $16.40 | $16.40 |
| Moving costs | $1.20 | $1.20 |
| Utilities/temporary facilities/security services | | |
| Master use permits | | |
| Building permits | $0.50 | $0.50 |
| Performance & Payment Bonds | $1.00 | $1.00 |
| Claims Review Board | $0.10 | $0.10 |
| | | |
| **Contract administration** | | |
| Agency | $2.70 | $1.40 |
| Consultant services | $9.50 | $4.80 |
| | | |
| **Related project costs** | | |
| Mitigation | $4.00 | $4.00 |
| Developer fee | $0.00 | $9.40 |
| | | |
| **Total Cost Per Gross Square Foot** | **$231.80** | **$230.90** |

40

## The Balanced Scorecard and State Facilities

- The state of Washington has begun to use the Balanced Scorecard to help with decision making. The following chart depicts questions we are asking regarding our facilities decisions. Financial and Social Cost is one aspect of our analysis. Our lease v. ownership modeling is an important building block for that scorecard category.

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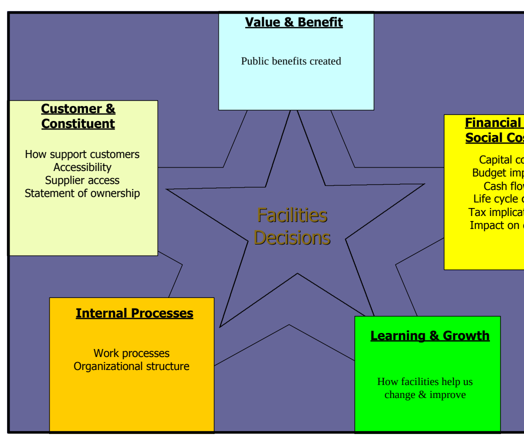


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## Where the Use of the Balanced Scorecard Is Taking Us

- Different scoring models that rely on more than life cycle cost analysis
- Changes to the lease and ownership debate to a debate about work place needs regardless of ownership status
- The creation of work places that address citizen and customer needs as well as employee and organizational needs
- A revision to how we value our workplaces and how we pay for them

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## More Information

- Our Web Link
  - http://www.ga.wa.gov/dres/LeaseModel.htm
- Contacts:
  - Bob Bippert, Assistant Director, Div. of Real Estate Services
  - Phone - (360) 902-7395
  - E-mail - bippert@ga.wa.gov
  - Craig Donald, Policy Analyst
  - Phone - (360) 902-7344
  - E-mail - cdonald@ga.wa.gov

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# Appendix D: State Capitol Committee (SCC) and Capitol Campus Design Advisory Committee (CCDAC) Materials

**State Capitol Committee**
**June 12, 2000**

**THURSTON COUNTY SPACE NEEDS STUDY**
**PURPOSE: INFORMATION AND ACTION**

The purpose of this agenda item is to:

- Continue to receive background information from state agencies, budget experts, GA staff and other interested parties.
- Review and provide guidance on revised GA recommendations on Preferred Development and Preferred Leasing Areas.
- Agree on how the State Capitol Committee will help shape the outcome of this planning effort.

Grant Fredricks, Deputy Director for General Administration, will lead the presentation.

BACKGROUND

The following organizing principles are guiding GA's lease and space planning.

- ♦ Comprehensive planning and better coordinated decision making between the legislative and executive branches, and between the state and its host communities.
- ♦ Clear development standards designed to meet current and future business needs of state government, including citizen services, and economy and efficiency of agency operations.
- ♦ Development according to sound growth management principles including mixed uses, urban densities, land uses tied to regional transportation systems, and reduced transportation impacts of growth through careful siting.

Objectives for the state leasing policy envisioned in the 1991 Master Plan are proposed to be the following:

- ♦ Identification of *preferred development* (oriented toward but not necessarily limited to state ownership) and *preferred leasing areas* (oriented on private development and ownership).
- ♦ Coordination of future space needs to better co-locate and consolidate new state facilities and manage existing office space.
- ♦ Agreement on performance, space and cost standards for both state-owned and state-leased offices.
- ♦ Development of transportation demand management strategies and consistent parking management practices.
- ♦ Executive and legislative coordination of state leasing decisions with special emphasis on better managing budget impacts.

## Highlights of the *1991 Master Plan for the Capitol of the State of Washington*

The 1991 Master Plan calls for new construction to be concentrated in three preferred development areas:

- The Capitol Campus
- Olympia, the Capital City
- Satellite campuses in Lacey and Tumwater, the Capital Community

Instead of relying on leased space simply because it is available, state agencies in the preferred development areas should be placed on sites specifically chosen to best serve their functions.

*Creating the Tumwater Satellite Campus*. New offices in Tumwater were envisioned as a fully integrated part of the city, concentrating employees in a small area to support community services such as retail, restaurants, banking, dependent care, pedestrian access and housing. The satellite campus was envisioned for at least 800,000 to 1 million square feet of development (4,000 to 5,000 state and private employees) to provide for efficient public transit and ridesharing alternatives and to support services as well as retail business.

*Sequencing Projects.* Any negative effects on local lease markets should be minimized by gradually reducing the amount of leased space occupied by the state.

*Criteria for Locating New Development.* The decision regarding which agencies must locate on the Capitol Campus or off-campus in Olympia, Tumwater or Lacey should consider enhancing the public service functions of agencies

*Developing a Leasing Strategy*. To improve leasing practices, the Department of General Administration committed to develop a strategy to evaluate current leasing procedures and propose needed legislative or funding changes. Inadequate leased spaces were to be replaced with leases in larger or more appropriate buildings.

*New Leases Must Maximize the State's Investment.* The goal for a new leasing strategy was to reduce the overall number of leases and limit the amount of inefficient or inadequate space. Any long-term plan for leasing was to be done at the same time as a plan for ownership, developed at four-to six-year increments and updated each biennium.

*Transportation Management Program.* The state has a responsibility to create an efficient, environmentally sound plan for transportation and parking in the capital region. The Master Plan goals are simple: to reduce the number of state employees using single-occupancy vehicles by up to 30 percent by the year 2010 and to encourage greater use of alternative transportation, such as public transit, bicycles and walking.

## GA's Thurston County Space Needs Study Reports

This 18-month planning effort will produce seven reports, the last being a report to the legislature on how best to house state government in Thurston County over the next 10 years.

The first five reports are gathering together factual planning information produced by General Administration, other state agencies, local jurisdictions, developers and other stakeholders. Preliminary cost, performance and location standards are also included. Report #4 was published in May and Report #5 will be published in August.

Report #6 (September 2000) will be a summary of the previous five reports and will include alternative approaches and policies to meet the 10-year facility needs in Thurston County. Interested stakeholders, state agencies and the general public will be asked to comment on and react to the alternatives developed for Report #6. The State Capitol Committee will receive a preview of this report at its mid-August meeting.

Report #7 (December 2000), the legislative report required in the 99-01 Capital Budget, will include a summary of findings, including stakeholder and public input, and a preferred alternative recommendation to meet the state's space needs through 2010.

## RECOMMENDED PREFERRED DEVELOPMENT AREAS & PREFERRED LEASING AREAS

The 1991 Capitol Master Plan provided boundaries for state office development, which at that time was anticipated to be state-owned. These boundaries were called "Preferred Development Areas." The three local jurisdictions have asked that these preferred development areas be adjusted. The attached color graphic "Preferred Development Areas" provides detail regarding the changes the jurisdictions are requesting. It is anticipated that the SCC will act on this request at their June meeting.

Since 1992, *lease* development has occurred outside the boundaries of the Preferred Development Areas. The local jurisdictions have asked the SCC to establish, in addition to the Preferred Development Areas, new boundaries that will be called Preferred Leasing

Areas. The cities have identified areas within their jurisdictions where they prefer state office leasing to occur. The Tumwater City Council took formal action to adopt their Preferred Leasing Areas. The Lacey and Olympia city councils developed their new areas in council work sessions. The city-designated boundaries for the Preferred Leasing Areas are shown on the attached color graphic. GA is recommending that five of the seven recommended areas be added to the Master Plan at this time and that an additional Olympia area be added.

**State Capitol Committee's Review and Approval Schedule**

| | |
|---|---|
| mid-August | Review additional Master Plan policies on leasing standards and practices ***(Information/guidance)***<br>Review draft alternative strategies on housing state government over next 10 years ***(Information/guidance)*** |
| October 10th | Review final alternatives for meeting 10 year space needs (Report #6) ***(Information/guidance)***<br>Review public comments received to date ***(Information)*** |
| December 12 | Review remainder of comments received from Report #6 ***(Information)***<br>Recommended preferred alternative to meet 10-year facility needs ***(Action)*** |

**Panel Discussions**

State Agencies: Representatives from the departments of Social and Health Services (DSHS), Retirement Systems, Health and the transportation agencies.

Budget: Staff from the House Capital Budget, Senate Ways & Means, and Joint Legislative Audit and Review Committees, and OFM

**<u>Draft Motion #1</u>**

***The State Capitol Committee amends the preferred development areas (PDAs) identified in The Master Plan for the Capitol of the State of Washington (1991) as follows:***

(a) ***The Capital City PDA (p. 61) is more precisely defined as the downtown core bounded by Capitol Lake on the west, Eastside Street on the east, 14th Avenue on the south and the industrially zoned areas of the Port of Olympia on the north***.

(b) ***The Tumwater PDA (p. 70) is adjusted to coincide with the Tumwater Town Center that is bounded on the north by Israel Road, on the east by Capitol Boulevard, on the south by Airdustrial Way and on the west by Interstate 5.***

(c) ***The Lacey PDA (p. 71) is adjusted to include only the state owned property near the Ecology Headquarters building at Saint Martins College (dark cross hatched section on p. 71) south of Martin Way and east of College St.***

**<u>Draft Motion # 2</u>**

***The State Capitol committee amends The Master Plan for the Capitol of the State of Washington (1991), under Chapter 4, Implementation Plan – Facility Development, to include Thurston County Preferred Leases Areas identified in Attachment 1, Thurston County Preferred Leasing Area Policy.***

Attachments:

Pages 60, 70 and 71 of The Master Plan for the Capitol of the State of Washington (1991)

Thurston County Preferred Leasing Area Policy

Map of Proposed Thurston County Preferred Leasing Areas

**State Capitol Committee**
**June 12, 2000**
**Draft Minutes**

**Members Present**: Lieutenant Governor Brad Owen
Marty Brown, Director, Office of Financial Management
Governor Locke's Designee
Secretary of State Ralph Munro

**Members Absent**: Commissioner of Public Lands Jennifer Belcher

**Business Meeting**

Lt. Governor Owen called the meeting to order at 1:30 p.m. and informed the committee that Governor Locke was unable to attend the meeting and that Mr. Brown, Director of the Office of Financial Management, would represent the Governor. He announced that the agenda was published in the *Seattle Daily Journal of Commerce* and the *Olympian*.

Lt. Governor Owen asked for approval of the April 17, 2000, State Capitol Committee (SCC) meeting minutes. The minutes were approved as written.

**Thurston County Space Needs Study**

Mr. Fredricks, Deputy Director for General Administration (GA), stated that GA has discussed lease and space planning with SCC and with the Capitol Campus Design Advisory Committee (CCDAC) for approximately one year. At today's meeting, GA will ask SCC to consider two amendments to the 1991 Master Plan for the State Capitol. One will change the Preferred Development Areas (PDA's) for Olympia, Tumwater and Lacey. The other will define Preferred Leasing Areas (PLA's) for the same local jurisdictions.

At the last SCC meeting on April 12, 2000, a panel of city officials and local developers provided input regarding the proposed PDA's and PLA's. At that meeting, SCC requested that GA invite a panel of representatives from state agencies, the Legislature, and the Office of Financial Management (OFM) to provide their perspectives regarding the PDA's and PLA's.

Mr. Fredricks introduced four state agency representatives: Maureen Westgard with the Department of Retirement Systems (DRS); Ron Niemi with the Department of Transportation (DOT); Eric Slagle with the Department of Health (DOH); and, John Reynolds with Department of Social and Health Services (DSHS).

Ms. Westgard shared information regarding the recent consolidation of DRS. In 1997, DRS was located in four buildings on three different sites that covered approximately 63,000 sq. ft. The department reviewed other leasing options, as their current lease was due to expire. In 1998, the Legislature approved new space for the Liquor Control Board, which shared space with DRS in the Capitol Plaza Building. This action prompted OFM and DRS to review site options. With OFM's assistance, DRS chose a building in Tumwater that was under development and scheduled for completion in one year. With the assistance of a space planner and the City of Tumwater, 10,000 sq. ft were added to the building. The site had many benefits for employees and customers and won a Commute Trip Reduction award. The building's private offices have improved customer service and confidentiality, and a key card system was installed to address security issues. The DRS building is efficiently designed with excellent lighting and airflow, and the building has a high ratio of staff per sq. ft. Other benefits include reduced costs for utilities, janitorial services, and travel time to meetings (the building saved 12,000 trips a year for staff). In retrospect, DRS would have liked to have acquired additional space to accommodate known future growth, but was unable to acquire finding for that part of the project. Ms. Westgard indicted that it is a challenge to consider growth rates and space needs, and paying for space that is not occupied is difficult to justify. However, DRS would actually pay more per sq. for additional space now than if they had secured it two years ago.

Mr. Niemi indicted that the transportation agencies are located in 30 different places due to growth over the last several years. The agencies are currently paying over $6 million dollars in rent per biennium. The transportation agencies include the Department of Transportation, Department of Licensing, the Washington State Patrol (WSP), the Transportation Improvement Board, the Washington Traffic Safety Commission and the County Road Administration Board. In 1990, GA conducted a building design study for the WSP. The study recommended consolidating the WSP on campus, but only the design was funded. In 1992, GA conducted an analysis for all of the transportation agencies to determine space needs into the year 2010. In 1999, the Legislature mandated a feasibility study to consolidate 30 leased offices in Thurston County into a single building for the transportation agencies. Mr. Niemi shared highlights from the analysis that were presented to the Legislature in January 2000, but concluded that the passage of 1-695 halted the study's recommendations.

Mr. Slagle stated that DOH operates from 21 leased buildings in four separate locations throughout Thurston County, occupying 260,000 sq. ft. The fragmentation of the agency was identified as a major obstacle to providing customer service, maintaining multiple operating systems, and managing the agency effectively. Since half of the lease contracts expire in 2003, with the other half expiring in 2004, DOH is challenged with trying to coordinate lease renewals with flexible options. DOH has addressed security issues associated with department fragmentation by providing name badges to control access in each of the buildings. DOH and GA conducted a feasibility study and identified a preferred option that consolidates the agency into a single building, with an option to purchase the facility in five years. This proposal was included in the Governors budget, but not approved by the Legislature. DOH is still interested in consolidating and is committed to working with GA, OFM, the Legislature and other stakeholders to develop a solution. The department plans to include this project in its budget request for the 01-03 biennium.

Mr. Reynolds stated that DSHS occupies approximately 695,000 sq. ft of leased space in 22 locations in Thurston County (16 house administrative functions and six house service delivery operations). This presents a wide range of issues and challenges to the department's ability to serve the public. DSHS and GA have developed office complexes off campus in the cities of Lacey and Olympia, which offer many advantages of co-location. In the upcoming months, DSHS will complete a 60,000 sq. ft headquarters building for Aging and Adults Services. The department's service delivery locations pose a variety of challenges for people with disabilities. The mission for traditional community service offices has changed and the existing community service facility in Thurston County is not large enough to accommodate the department's needs. DSHS and GA are evaluating other locations for new space that would accommodate the department's federal, state and local partners under one roof.

Secretary Munro's asked how many agencies own land. Mr. Fredricks stated that the Department of Fish and Wildlife owns real estate in north Olympia and other agencies own real estate. GA is coordinating with the departments that own land for long-term, strategic benefits.

Mr. Fredricks stated that a state leasing policy was envisioned in the 1991 Master Plan, but was never fully developed. One of the objectives of the PLA's is to identify state preferred leasing areas more clearly. The other objective is to coordinate current and future needs by realizing as many co-location and consolidation opportunities as possible. Mr. Fredricks indicated that there is a big gap in the state policy with respect to performance, space and cost standards. GA is working with OFM and the Legislature to develop a clear policy. Another important element of the state's policy relates to transportation demand management and commute trip reduction. The state needs to coordinate decisions with local transit authorities to ensure the success of comprehensive transportation plans. Facilities need to be placed in locations that are consistent with regional transportation plans to avoid taxing already stressed infrastructure.

Mr. Fredricks introduced four budget panel guests: Tom Boyer with the Office of Financial Management (OFM); Bill Robinson with the House Capital Budget Committee; Mike Groesch with the Senate Ways & Means Committee; and, Bob Thomas with the Joint Legislative Audit Review Committee.

Mr. Boyer discussed the capital budget instructions and stated that a few changes in the instructions focus on leases and lease development. The ten-year capital plan is a long-term view of agencies needs for facility improvements and development. Although the 10-year capital plan results in a two-year budget, it operates as a tool for determining how capital projects impact operating budgets over a longer period of time. The capital budget includes general obligation bonds, other non-bonded funding accounts, and leasing and alternative financing. The capital plan instructions have a renewed emphasis on reducing maintenance backlogs and costs. For new development, OFM is asking agencies to place special emphasis on strategic planning, specifically by analyzing how their long-range plans will impact their 10-year capital development plans. The capital budget instructions are available electronically and agencies will be able to submit their capital budgets on-line.

Secretary Munro said that in 1978 he wrote Referendum 37, which built facilities for the disabled. He asked how OFM plans to handle requests for local community facilities. Mr. Robinson stated that the Legislature created a program that allows local governments, non-profit organizations and other non-state social service agencies to seek finding through the Department of Community, Trade and Economic Development (CTED). CTED administers the program and includes it in their agency's budget request.

Mr. Groesch stated that budget development gets more difficult every year. In the past, the process looked at the debt limit formula, waited for the forecast to come out with interest rates and revenues, determined where the state was and forecasted it out.

Recent initiatives (I-601) have changed the revenue picture quite drastically. Interest rates also seem to be fluctuating a lot more than in the past. There were also two substantial factors introduced during the last session: the passage of I-695 and legislative changes in calculating the emergency reserve and the education construction account. The Legislature is looking more closely at the cost of capital rather than simple formula limits on debt. If the state bonds against something it will have to pay for it with general fund money later.

The Legislature is also looking at growth and the debt service structure. Debt service is fluctuating at 7 to 10 %, much more than the fiscal growth factor. Debt payments are growing at a faster rate than the general fund expenditure limit and are accounting for more and more of the general fund budget. That will fluctuate in the future, but the Legislature is very aware of this issue.

Interest rates are generally the first thing that the Legislature examines. According to the economic forecast that generates the revenue forecast, interest rates are not too bad. The Legislature was fairly conservative going into the last session. The Governor's 10-year plan had a budget of $1.093 billion for 99-01. During session, the budget was dropped down to $987 million. The final budget was higher due to a cushion for interest rate increases. The Federal Reserve Board could increase interest rates in the next few months. The revenue forecast is unpredictable and could increase for June, which would mean more room for debt but also increased payments on debts. That means that the budget for 01-03 could be between $1.018 billion and $1.070 billion, about where the Governor's plan was two years ago. With an increase in the revenue forecast, it could go up to $1.1 billion. So, the Governor's ten-year plan seems reasonable at the moment.

Another issue affecting the capacity to go into debt with the general fund is potential revenue reductions. These could be initiated by the Governor, the Legislature, or through initiatives. These revenue reductions could affect local governments as well as state government. The passage of I-695 has shown that the Legislature is willing to provide revenue for local jurisdictions when local revenue drops. Legislative action during last session as a result of I-695 did not affect the debt limit, because the funds weren't dedicated resources but on-going appropriations. If the Legislature decides to turn those appropriations into dedicated funds, then the debt limit will drop and so will the amount of resources available for debt.

Another big swing in the capital outlook is the education construction account. This account was created by I-601 and requires the emergency reserve to rise over 5% of the biennial budget. House Bill 3169 changed that to an annual level during the last session. For the first time, emergency reserve funds are being made available for capital projects or for K-12 and higher education. Since higher education alone takes up over 50% of the bonding capacity, funds in the emergency reserve account might allow room for other projects. The current balance sheet shows about $100 million from 99-01 and between $700 million and $1 billion for 01-03.

House Bill 3169 also opened up the revolving door on the I-601 limit. House Bill 3169 says that if the cost of any state program or function is shifted to the general fund from another source of funding, the expenditure limit can be raised. For example, a few years ago health benefits for teaching assistants and graduate students in higher education were funded from the health services account. Because of a shortage in this account, the general fund picked up those costs. If this occurs again next biennium, the expenditure limit could be raised without any change in the health services account. The ending fund balance would drop and there would be less money available for the education construction account. Depending on the extent to which the Legislature does that to solve problems in transportation, health benefits, local government, etc., funds for the education construction account might not materialize. Although there is a huge potential for an increase in capital expenditure, there is also a very large possibility that those funds won't become available. Predicting the future is still very difficult. However, based on the Governor's 10-year plan, it appears that there will be more money for capital projects.

Mr. Brown mentioned that the Legislature appropriated some money from the education construction account last session. Mr. Groesch clarified that $30 million was appropriated from the education construction account to the common school construction fund, not for any particular projects but as a deposit for next year. There were also minor appropriations for a few modest higher education projects.

Mr. Robinson stated that people have generally relied on the debt limit as the control on state spending for capital projects. However, over the last 20 years the percent of the general fund that has gone toward debt service payments on capital project bonds has increased from 3% to 5.5%. It has now become an affordability issue. How much money should go into debt service payments, particularly under I-601 where there is a capped spending level? The more the state spends on debt service payments on buildings, the less is available for other programs.

Debt service levels have been increasing at a faster rate than any other state program. The House Capital Budget Committee looked more closely at where funds were going for facilities and discovered that more funds were going towards lease payments than towards debt service payments. The state was actually leasing more space than it owned. The House Capital Budget Committee began to focus on planning about a year ago. The last biennial budget that passed in 1999 allocated funds to the Department of General Administration and asked the agency to develop a long-term plan for capital facilities in Thurston County. The Legislature was interested in determining how much space will be needed in the future, who will need it, and where it should be placed.

The Master Plan for the Capitol Campus, adopted in 1991, recommended that General Administration, the Senate Ways and Means Committee and the House Capital Budget Committee develop a long-range plan for leasing. That had never been done. The House Capital Budget Committee formed a sub-committee that developed a series of recommendations about leasing plans and facility standards for the state. As part of the process, citizens expressed concern that the state's leasing process has caused urban sprawl. Given that the state expounds growth management principles, the state needs to follow those principles in its planning process. The primary recommendation of the House Capital Budget Sub-committee was that the plan for state leasing should adopt good growth management principles.

The other major consideration is cost. One of the constituencies that the Legislature hears from is building owners, who are threatened by the possibility of the state building for itself. As a way to resolve the question of cost, whether it's cheaper for the state to lease or own, the Joint Legislative Audit Review Committee (JLARC) model was developed. It is a very useful tool for determining long-range costs and benefits of different alternatives.

Finally, a lot of agencies are leasing additional space without the Legislature knowing about it. There have been cases where agencies request funding for additional personnel but don't ask for a new facility until a few years later. The Legislature suggested that agencies specifically identify requests for more space in their operating budgets, which the Legislature would approve.

In order to pay for these buildings, alternative financing is being used more often. Although this is a way to get around the debt limit, the state still has to pay for these financing contracts. The House Capital Budget Committee is drafting a policy for determining when to use alternative financing methods as opposed to regular bonds.

This seemingly benign issue is actually on the minds of many legislators who are concerned with cost and with the affect that state growth has on its host communities.

Mr. Thomas provided a retrospective review on how the JLARC model was developed and how it has been working over the last five years. In 1994, there was an interest in reviewing the capital planning process that focused on leasing verses ownership. The JLARC had an opportunity to assist the House Capital Budget Sub-committee as it reviewed lease options verses ownership. The committees set up a technical advisory group comprised of legislative members and staff, General Administration, OFM, local developers, building owners and lessors. The technical advisory group followed an elaborate process to build a model that would help make decisions about leasing verses owning. The resulting life cycle cost model is set up to ensure that when alternatives are compared, all relevant costs for each of the alternatives are included on a level playing field. It offers a way to examine the value of money over time and compares alternatives over the same period of analysis. OFM and GA tested the model with agencies to see how user-friendly it would be as a tool for developing projects. In that process the JLARC model was improved and has been used ever since.

Last January the Legislative Auditor wrote to the Senate Ways and Means Committee and the House Capital Budget committee to clarify a few points about the JLARC model. First, the model is no stronger than the quality of the information that goes into it. Second, sensitivity analyses should be done when using it. Third, the JLARC model provides a range of information that decision-makers can use to make decisions. It doesn't tell people how to make decisions.

Secretary Munro asked if changes in the federal government have impacted the state's capital funding. Mr. Robinson replied that it has not been a significant factor. The amount of money that the federal government provides for school construction is so small that it does not play a substantial role in the state's budget. The only thing that the state has done in the past several years to capture some federal dollars is to implement an internal rent system that charges federal agencies for using state-owned facilities. It is a nominal charge (about $3 per sq. ft.). Previously, federal programs in state facilities did not pay any rent.

Secretary Munro mentioned that the state re-structured some of its functions about 30 years ago and eliminated a lot of the state's buildings. Many institutions for juvenile rehabilitation and the developmentally disabled were eliminated. He asked if there are opportunities for the state to do that today. Mr. Groesch replied that the Legislature often reviews agency proposals that offer a pre-determined, building-focused solution. Instead of making a decision only about the building-focused solution, the Legislature would like to look more closely at the program problem. For the particular example that Secretary Munro used, the decision wasn't whether or not to build, but how to best deliver services.

Secretary Munro then asked if there has been a step back from the question about facilities to a question about how and why the state is performing given functions. Mr. Groesch referred to prisons as an example, stating that the House spent a lot of time discussing whether prisons should be privatized or if the functions within the prisons could be performed in a more efficient, safe and cost effective manner. Mr. Groesch also mentioned that the devolution of the federal government has had more of an impact on local governments than on state governments. This has led to considerations about the role of state government in providing social services.

Secretary Munro asked if anyone has considered devising a point system for the development of the capital plan, so that consolidation and co-location are rewarded. A discussion followed about the possibilities and challenges in using point systems, which the House Capital Budget sub-committee has discussed. Highest and best use analysis was also mentioned.

Mr. Fredricks stated that GA is asking SCC to amend the PDA's in the 1991 Master Plan and to approve the PLA's identified in the Thurston County Preferred Leasing Area Policy. The recommended motions would establish locations where state government will concentrate state ownership and leasing. Mr. Fredricks indicated that the motions are presented at this meeting with the understanding that SCC may want to revisit them and work through other policy questions and strategies over the next several meetings. SCC will meet on August 9, October 10 and December 12 to reach a conclusion that will be reflected in the Governor's budget and in the strategy that will be sent to the Legislature in December 2000.

Mr. Fredricks summarized the first motion. He stated that the 1991 Master Plan established boundaries for state office development that was originally anticipated to be state-owned. The cities of Olympia, Lacey and Tumwater have requested that these Preferred Development Areas (PDA's) be adjusted. Mr. Fredricks explained each of the local jurisdictions' requests. He indicated that there has been a substantial amount of development in the north end of Olympia's downtown, near the Port of Olympia.

GA is recommending that the northern boundary for Olympia's PDA include the commercial offices in that area. The City of Lacey would like to limit their PDA to state-owned property within the PDA established in the 1991 Master Plan. The City of Tumwater is recommending that the Tumwater PDA coincide with the Tumwater Town Center.

Mr. Fredricks summarized the history behind the Preferred Leasing Areas (PLA's) and identified the sites that GA is recommending for Olympia, Lacey and Tumwater. They are as follows:

Lacey

1. The Lacey core area bounded by Golf Club Road on the west, College Street on the east, Pacific Avenue on the south and 6th Avenue on the north.
2. The Saint Martin's satellite campus area around the Department of Ecology, south of Martin Way at Desmond Drive, west of Woodland Creek, generally north of 6th Avenue SE extended and east of the Saint Martin's meadows wetlands.

Olympia

1. The downtown core bounded by Capitol Lake on the west, Eastside Street on the east, 14th Avenue on the south and the commercially zoned area of the Port of Olympia contiguous to the downtown core on the north (bounded by "E" Avenue on the north, Marine Drive on the east and Budd Inlet on the west).
2. The Evergreen Park Planned Unit Development (PUD) area, bounded by Evergreen Park Drive SW on the north to Lakeridge Drive and Lakeridge Way on the east, to Evergreen Park Drive SW on the south and west.

Tumwater

1. The Sunset Life area, bounded by Capitol Boulevard on the west and Sunset Way, Fairfield Avenue and Blass Street on the east, and North Street-Custer Way on the south.
2. The Tumwater satellite campus area (including Tumwater Town Center), bounded by Airdustrial Way on the south, Interstate 5 on the west, Israel Road to 6th Avenue SW to Dennis Street on the north (to include Point Plaza West), to Capitol Boulevard, to Point Plaza East (south of Peter G. Schmidt Elementary School), and extending east to Bonniewood Drive then south to Airdustrial Way.

GA considered the Lacey Corporate Center at the intersection of the Yelm Highway and College Street, and has decided not to recommend it as a PLA at the present time. GA will reconsider the area when transportation infrastructure is complete.

GA also evaluated an area in Tumwater on Linderson Street and commonly known as the "Floor Exchange" property. Although the site is within walking distance to residential areas, easy to find, and a good value for the lease, it does not have a fixed bus route service, pedestrian infrastructure, or supporting retail and commercial services. The Capitol Campus Design Advisory Committee (CCDAC) did not support the area. The CCDAC was concerned that it would detract from opportunities that are present in Area Two in Tumwater and Area One in Olympia.

GA decided not to recommend Tumwater's Old Brewery because its re-development is uncertain. The City of Tumwater is studying the area for re-development and the historic property might be suitable for PLA designation later..

Mr. Brown asked what CCDAC's recommendations were regarding the Sunset Life Building. CCDAC agreed to include the Sunset Life property in the PLA's. Evidently, the new owner is spending several million dollars to upgrade the facility. It is expected to meet the state's office space standards and be reasonably priced. It is also within walking distance to the Capitol Campus and many retail and commercial services.

Secretary Munro asked if including the Old Brewery in the PLA would help the City of Tumwater to rehabilitate the facility. Mr. Fredricks indicated that CCDAC advised GA to make a serious policy statement directing development in downtown Olympia and Tumwater Town Center. Otherwise, the agency would be doing the community a disservice by allowing more fragmented development.

Mr. Fredricks stated that GA will revisit the PLA's with SCC in the future, as the community develops.

Mr. Meier with A.G.D. Inc., Consulting & Management Company, indicated that he plans to build a facility on Linderson Way in Tumwater, adjacent to the "Floor Exchange" building he already owns there. Mr. Meier indicated that Intercity Transit has committed to providing transit service if a second building were built on Linderson Way. Mr. Meier requested that SCC include his Tumwater property in the PLA.

The State Capitol Committee unanimously approved the following motion:

> *The State Capitol Committee amends the preferred development areas (PDA's) identified in The Master Plan for the Capitol of the Sate of Washington (1991) as follows:*
>
> *(a) The Capital City PDA (p. 61) is more precisely defined as the downtown core bounded by Capitol Lake on the west, Eastside Street on the east, 14th Avenue on the sought and the industrially zoned areas of the Port of Olympia on the north.*
> *(b) The Tumwater PDA (p70) is adjusted to coincide with the Tumwater Town Center that is bounded on the north by Israel Road, on the east by Capitol Boulevard, on the sought by Airdustrial Way and on the west by Interstate 5.*
> *(c) The Lacey PDA (p.71) is adjusted to include only the state owned property near the Ecology Headquarters building at Saint Martin's College (dark cross-hatched section on p.71) sough of Martin Way and east of College Street.*

Lt. Governor Owen asked if Commissioner Belcher provided a recommendation regarding the PDA's and PLA's. Mr. Fredricks indicated that Commissioner Belcher felt that these determinations were premature. Commissioner Belcher suggested establishing a policy direction first. The details of development strategies, including PDA's and PLA's, should be developed after a clear policy is established. Commissioner Belcher preferred a broader approach before proceeding with a final decision.

The State Capitol Committee unanimously approved the following motion:

> *The State Capitol Committee amends The Master Plan for the Capitol of the State of Washington (1991), under Chapter 4, Implementation Plan - Facility Development, to include Thurston County Preferred Leasing Areas identified in the Thurston County Preferred Leasing Area Policy, and to include Tumwater area three, once a commitment of transit service is provided that is satisfactory to GA.*

Lt. Governor Owen indicated that even though SCC approved the above motions, there will be a series of meetings that will provide opportunities to refine the decisions before the end of the year.

Lt. Governor Owen thanked the guests for sharing their views on the PDA's and PLA's.

**Legislative Building Renovation Oversight Committee**
Pat McLain, Legislative Building Project Director for GA, summarized the Legislature's actions during the 2000 session that affect SCC. In the 2000 Supplemental Budget, under the Legislative Building Renovation authorization, the Legislature directed SCC to develop criteria and guidelines for a space programming study, in conjunction with the Legislative Building Renovation Oversight Committee (LBROC). The LBROC consists of two members from both houses of the Legislature, Senators Spanel and Honeyford and Representatives Edmonds and Schoesler.

The 2000 Legislature appropriated $3 million of the first phase of design. This includes funds for a private financing feasibility study, an investigation of exterior sandstone attachment, and a space use programming study. The space study will:

- Prioritize space use within the Legislative Building based on functional affiliation with the legislative process and ceremonial functions of statewide office holders;
- Analyze space use and efficiency in the Cherberg, O'Brien, Pritchard, Newhouse, and Insurance buildings and the Governor's Mansion;
- Review alternative uses and expansion capabilities for buildings on the capitol campus; and,
- Report the recommendations of the space use programming study to the Legislature by November 30, 2000.

Ms. McLain reviewed the work schedule for developing criteria and guidelines for the space programming study. GA will work with SCC and LBORC members individually and will present draft criteria and guidelines for SCC to review and adopt at the first joint meeting on August 9. At the October joint meeting, the committee will provide guidance on the findings of the draft space use programming study and on options for the final report to Legislature.

Mr. Brown suggested that budget issues be identified early. The November 30 final report date to the Legislature is too late to add recommendations to the Governor's budget.

Secretary Munro asked if the Legislative Building Rehabilitation proposal would complete the Wilder and White plan by moving the Governor's Mansion and constructing an additional office facility that matches the Insurance Building. Ms. McLain stated that the BEST Study of the predesign included an option to go forward with that recommendation. However, the Legislative Building Preservation and Renovation Commission did not adopt that option.

On June 16, 2000, four architectural firms will make presentations to be considered as the prime lead consultant for the Legislative Building Rehabilitation project. An eight-member panel that includes Lt. Governor Owen, Dr. Norman Johnston, Dr. David Scott, representatives from the House and Senate, and GA staff will choose the successful firm.

**Director's Report**
Marsha Tadano Long, Director of GA, indicated that several significant capital planning and construction activities are currently underway on the Capitol Campus. An updated list was distributed that covered the projects' purpose, scope and current status. The projects include:

- Legislative Building North Stairs Repairs
- Governor's Mansion Rehabilitation

- Campus Hillside Stabilization - Phase 2
- Heritage Park
- Law Enforcement Memorial
- Millennium Carillon
- Capitol Lake Adaptive Management Plan
- Office Building Two Rehabilitation
- East Campus Plaza Repairs

Ms. Long provided an overview of some of the projects and distributed the newest Millennium Carillon brochure.

**Other Business**

Lt. Governor Owen asked for remaining remarks from the committee. None were presented and the meeting adjourned at 3:50 p.m.

**State Capitol Committee**
**August 9, 2000**

**THURSTON COUNTY SPACE NEEDS STUDY**
**PURPOSE: INFORMATION AND ACTION**

The purpose of this agenda item is to:

- Update the State Capitol Committee (SCC) on what GA has done to implement the Committee's decision establishing state Preferred Leasing Areas.
- Review, provide guidance and possibly adopt GA recommendations on other state policies affecting planning for and developing owned and leased state offices in Thurston County.
- Agree on how the State Capitol Committee will continue to help shape the outcome of this planning effort.

Grant Fredricks, Deputy Director for General Administration, will lead the presentation.

**Desired 2000 GA Study Planning Outcomes.** GA has established the following three goals for it's planning effort:

1. Authority from the Governor, State Capitol Committee and then the Legislature for a comprehensive program to develop leased and owned state offices that meet the business needs of state government.

2. Facilities resulting from this authority will achieve the following:
   - ❑ Improve citizen services.
   - ❑ Minimize costs to state agencies and society.
   - ❑ Improve agency efficiency and internal business processes.
   - ❑ Create safe and effective office environments that help agencies learn, improve and increase staff capacity.
   - ❑ Create public value and benefit that includes but is not limited to the exemplary design of state buildings, wise use of energy and other natural resources, and sound growth management

3. The program of state-initiated public and private development would complement the community development goals of Olympia, Tumwater and Lacey and have broad support by the legislature, state agencies, local government, and the public.

## GA's Thurston County Space Needs Study Reports

This 18-month planning effort will produce seven reports, the last being a report to the legislature on how best to house state government in Thurston County over the next 10 years.

The first five reports are gathering together factual planning information produced by General Administration, other state agencies, local jurisdictions, developers and other stakeholders. Preliminary cost, performance and location standards are also included. Report #4 was published in May and Report #5 will be published in mid-August.

Report #6 (September 2000) will be a summary of the previous five reports and will include alternative approaches and policies to meet the 10-year facility needs in Thurston County within the Policy Framework adopted by the State Capitol Committee. Interested stakeholders, state agencies and the general public will be asked to comment on and react to the alternatives developed for Report #6.

Report #7 (December 2000), the legislative report required in the 99-01 Capital Budget, will include a summary of findings, including stakeholder and public input, and a preferred alternative recommendation to meet the state's space needs through 2010.

## State Capitol Committee's Review and Approval Schedule

| | |
|---|---|
| October 10th | § Review final alternatives for meeting 10 year space needs (Report #6) ***(Information/guidance)***<br>§ Review public comments received to date ***(Information)*** |
| December 12 | § Review remainder of comments received from Report #6 ***(Information)***<br>§ Recommended preferred alternative to meet 10-year facility needs ***(Action)*** |

Attachments:

GA Procedures Implementing the Thurston County Preferred Leasing Area Policy

## Thurston County-Related Policies for Office Planning

This is a proposed policy framework to be adopted by the State Capitol Committee to (1) guide GA in completing the Thurston County Lease and Space Planning project and December 2000 report to the legislature directed in the 99-01 Capital Project, (2) form the basis of the legislative authority to begin a comprehensive 10-year facility management and new development program which results in (3) state facilities that better meet the needs of the public and state agencies.

The state did its last comprehensive facility planning 10 years ago. That planning resulted in the 1991 Master Plan for the Capitol of the State of Washington. Since then, three large state-owned office buildings have been occupied and ten new leased office buildings have been constructed. The lease-development was not anticipated by the Master Plan, and over the past two years concerns have been raised by local and state officials about how the state's development activities conformed to state policies concerning growth management, transportation demand management, community development, agency consolidation and co-location, and state development standards.

This planning effort was initiated by the legislature to address these issues.

## Themes from the 1991 Master Plan

State master plans in 1959, 1970, 1982 and most recently in 1991 have consistently reflected the following values and guiding principles of the original Wilder and White (1911) and Olmsted (1928) plans:

- ❑ Encourage efficiency and maximize flexibility
- ❑ Ensure the stewardship of resources
- ❑ Provide accessibility on a human scale
- ❑ Value the community and public
- ❑ Value the environment and open space
- ❑ Respect the importance and stature of state government facilities because they represent state government.

The 1991 Master Plan set out a strategy for state facilities in Thurston County to provide:

- ❑ Quality service to the state's residents,
- ❑ Efficient operation of state government,
- ❑ Exemplary siting, design and architecture of state buildings,
- ❑ Preservation of the heritage and character of the Capitol Campus,

and facilities that are:

- ❑ Energy efficient,
- ❑ Respect the environment, and
- ❑ Develop according to sound growth management principles.

## Planning Principles

1. Population growth and changes in Washington government will make it necessary to expand office space on the Capitol Campus and develop additional owned or leased office space off campus.
2. The state needs both owned and leased office space because agencies have different needs and having both ownership options and leasing options available creates competition thereby providing choices for an agency to meet its business and customer service requirements, minimize its costs, and be confident that its building performance is not compromised over the building's life.
3. Any change to state office standards must be cost effective and optimize the use of taxpayer dollars.
4. Agencies should consider the following when deciding how to meet program needs:
   a. Agency business requirements, building performance, location and budget impact.
   b. Required control over the size, quality, design and location of leased space.
   c. Effect of an increasing number of locations on operational efficiencies and duplication of services, staff and equipment.
   d. Amount and length of time that new space is needed.
   e. Possible savings that can be gained by co-location or consolidation.
   f. Flexibility needed to accommodate widely fluctuating space needs.
   g. Possibility that location of facility is likely to change because of agency program changes.
   h. Availability of funding.
   i. Short and long term budget impacts.
   j. Land ownership.
5. Multiple state agency locations can cause confusion for agency customers and multiply traffic problems, parking shortages and community impacts.
6. Strong cooperation with Intercity Transit, local governments, state agencies, and local developers and lessors is necessary if the goals of the Master Plan and state needs are to be met.

**<u>Summary of Proposed Policies Recommended to the State Capitol Committee</u>**

***1. Management of Existing Facilities:*** The state will manage its *existing* owned and leased properties for:

- ❑ optimum customer service delivery and agency performance,
- ❑ maximum consolidation and co-location, and
- ❑ best long-term cost effectiveness.

***2. Development of New Facilities:*** The state will develop both build-to-own and build-to lease facilities to meet its business needs in a continuous, not intermittent way.

***3. Standards:*** The state will only build or lease *new* office space if it meets appropriate state performance, quality and cost standards.

***4. Location:*** The state will build-to-own in Preferred Development Areas and build-to-lease state offices in Preferred Leasing Areas. The state may also build-to-lease in Preferred Development Areas.

***5. Finance:*** State-owned offices will *generally* be financed with bonds or certificates of participation reimbursed by their tenants except for offices on the historic West Capitol Campus.

***6. Transportation Demand Management:*** The state will locate, develop and manage its owned and leased properties to achieve local and state transportation demand management and commute trip reduction objectives.

## More Detailed Description of Proposed Policies to Achieve Desired Outcomes

***1. Management of Existing Facilities:*** The state will manage its *existing* owned and leased properties for:

- ❑ optimum customer service delivery and agency performance,
- ❑ maximum consolidation and co-location, and
- ❑ best long-term cost effectiveness.

### *Applicable Existing Master Plan Strategies*

1. Replace inadequate lease space with leases in larger or more appropriate buildings.
2. Encourage consolidation and co-location.
3. Define required levels of performance more clearly in all leases.
4. Preserve the heritage and character of the Capitol Campus.

### *Proposed New Strategies*

1. In order to achieve greater co-location and consolidation:
   a. Reduce over time the number of leases less than 5,000 square feet (57 or 31% of existing Thurston County leases).
   b. Develop a plan to swap leases between agencies to achieve higher degrees of agency consolidation.
2. In order to provide state landlords better information about state intentions:
   a. Identify building leases that the state will not renew when leases expire.
   b. Identify how each vacated property will be managed when a new building is proposed.

***2. Development of New Facilities:*** The state will develop both build-to-own and build-to lease facilities to meet its business needs in a continuous, not intermittent way.

*Applicable Existing Master Plan Strategies*

1. Develop lease strategies for terms longer than 10 years.
2. Change the lease development procurement process to allow the state to plan the interior design and development of the building.
3. Sign build-to-suit leases before construction to ensure that buildings are constructed to state specifications.
4. Co-locate smaller agencies in Olympia to permit sharing of common facilities and services.
5. Coordinate the long-term plan for leasing with ownership plans each biennium.
6. Develop state facilities in phases to provide for possible future staffing increases.
7. Concentrate new construction in preferred development and preferred leasing areas.
8. Create distinctive buildings, attractive and easily recognizable with openness and accessibility and cluster them for the convenience of customers and employees.
9. Reduce the proportion of leased to owned office space to 20%. ***(Recommend that this policy be eliminated.)***

*Proposed New Strategies*

1. Develop new major lease (defined by OFM as 30,000 square feet) request process.
2. Develop improved life cycle cost and budget impact models to improve quality of build-to-own, build-to-lease, purchase, or lease term decision making.
3. Develop improved ways to partner with developers to jointly develop state offices.
4. Develop improved ways to partner with local government to jointly develop office support facilities such as parking garages and regional storm water utilities.
5. Develop improved ways to identify and evaluate opportunities for co-location and consolidation.
6. Develop coordinated OFM/GA space forecasts.
7. Consolidate space requests into fewer solicitations resulting in larger, multi-agency office buildings versus smaller, single agency buildings.
8. Subordinate questions of ownership to building performance supporting agency customer service delivery and operations.
9. Leverage Capitol Grant Trust forest lands to acquire Thurston County property recommended by cities as suitable for future state office buildings.

***3. Standards:*** The state will only build or lease *new* office space if it meets appropriate state performance, quality and cost standards.

*Applicable Existing Master Plan Strategies*

1. Develop different performance requirements and standards for leased buildings depending on size, expected occupancy and eventual ownership.
2. Develop new state facilities at satellite campuses and in preferred leasing areas that are distinctive and visually unified clusters for the convenience of customers and employees and clearly identifiable as centers of government.
3. Promote thriving centers of urban life by helping to create a mix of public and private business when off campus state offices are developed.
4. Lease storefronts on ground floors to private retailers to augment the existing mix of retail uses in preferred development areas.
5. Apply to future development the urban and campus design principles from earlier master plans. Specifically:
   - Relate buildings to each other and to the open spaces defined by them.
   - Organize open spaces to be visible and accessible from building entrances.
   - Locate new buildings to form edges of pedestrian-scaled open spaces, to preserve landscaped open spaces and to reinforce campus edges.
   - Create campus gateways.
   - Orient development to pedestrians, not cars.
   - Provide visitor destinations and amenities.
6. Use a state office development concept in Tumwater Town Center that incorporates an urban street grid clustering mixed-use buildings around common open space.

*Proposed New Strategies*

1. Adopt new building space standards.
2. Adopt new initial and recurring cost standards.
3. Adopt new technical and performance standards for technology, security, access, utilities, health, land use and building service life.

***4. Location:*** The state will build-to-own in Preferred Development Areas and build-to-lease state office space in Preferred Leasing Areas. The state may also build-to-lease in Preferred Development Areas.

*Applicable Existing Master Plan Strategies*

1. Concentrate new construction in preferred development areas and in preferred leasing areas in Olympia, Tumwater and Lacey.
2. Locate new development so as to:
   - ❑ Enhance the public service functions of the agency.
   - ❑ Support long-term agency growth ***(Recommend "growth" be changed to "goals")***
   - ❑ Achieve local land use, transportation, the environment and urban design goals
   - ❑ Maximize long-term public investments in land, infrastructure and development costs.
3. Create satellite campuses consistent with local comprehensive plans.
4. Develop satellite campuses in Tumwater and Lacey of 800,000 to 1 million square feet of office space to support 4,000 to 5,000 state employees.
5. Cluster development to make it more accessible to public transportation and to encourage services such as dependent care, restaurants, banks and retail stores.
6. Locate agencies that require large amounts of land or have no need to be close to the Capitol Campus on satellite campuses where they are visible and accessible.
7. Extend to off-campus locations the building siting and campus design principles of the historic Wilder and White and Olmsted Brothers' plans as noted on page 1, Themes from the 1991 Master Plan.
8. The West Campus is the center for the executive, legislative and judicial branches of the government, while East Campus functions are mostly administrative. The West Campus should be reserved to accommodate the needs for buildings that support the legislative and government functions that must be located in or near the Legislative Buildings.
9. Facilities with potential community-related uses should be located on the northern edge of the campus.
10. Facilities with a lower expectation of public use should be located on the southern boundary of the campus to minimize neighborhood impacts.
11. Agencies with a high degree of interaction with the Legislature, the Supreme Court, the Governor and other elected officials, as well as General Government agencies whose primary mission is to support the functions and responsibilities of the three branches of government and the Capitol Campus, should be located on the Capitol Campus.
12. Agencies whose primary mission is to provide services to the public should be located off campus.

*Proposed New Strategies*

Adopt standardized state office site evaluation and location criteria.

***5. Finance:*** State-owned offices will *generally* be financed with bonds or certificates of participation reimbursed by their tenants except for offices on the historic West Capitol Campus.

*Applicable Existing Master Plan Strategies*

1. Develop new financing alternatives to replace general obligation bond sources.
2. Promote development partnerships with local governments and private interests.

*Proposed New Strategies*

Adopt policies that ensure that the state does not provide security for financing private office buildings.

***6. Transportation Demand Management:*** The state will locate, develop and manage its owned and leased properties to achieve local and state transportation demand management (TDM) and commute trip reduction (CTR) objectives.

*Applicable Existing Master Plan Strategies*

1. Implement transportation management plans designed to:
   - ❑ Decrease the dependence of state employees on single-occupancy vehicles
   - ❑ Encourage other transportation choices such as transit, bicycling and walking
2. Construct and manage jointly shared parking garages with local government and/or private developers.
3. Provide subsidies or other incentives to employees who leave their cars at home.
4. Provide showers and lockers in all new office buildings or building groups to encourage employees to ride their bicycles to work. Retrofit older buildings with showers and lockers where feasible.
5. Encourage development of parking garages to maximize usable open space in Tumwater and Lacey.
6. Cooperate with Intercity Transit and local governments in state facility development.

*Proposed New Strategies*

Adopt TDM and parking performance standards for new facilities.

**State Capitol Committee**
**August 9, 2000**

**Draft Motion**

**The State Capitol Committee adopts the following policies to (1) guide GA in completing the Thurston County Lease and Space Planning project and December 2000 report to the legislature directed in the 99-01 Capital Project, (2) form the basis of a request for legislative authority to begin a comprehensive 10-year facility management and new development program which results in (3) state facilities that better meet the needs of the public and state agencies*:***

***1. Management of Existing Facilities:*** The state will manage its *existing* owned and leased properties for:

- ❑ optimum customer service delivery and agency performance,
- ❑ maximum consolidation and co-location, and
- ❑ best long-term cost effectiveness.

***2. Development of New Facilities:*** The state will develop both build-to-own and build-to lease facilities to meet its business needs in a continuous, not intermittent way.

***3. Standards:*** The state will only build or lease *new* office space if it meets appropriate state performance, quality and cost standards.

***4. Location:*** The state will build-to-own in Preferred Development Areas and build-to-lease state offices in Preferred Leasing Areas. The state may also build-to-lease in Preferred Development Areas.

***5. Finance:*** State-owned offices will *generally* be financed with bonds or certificates of participation reimbursed by their tenants except for offices on the historic West Capitol Campus.

***6. Transportation Demand Management:*** The state will locate, develop and manage its owned and leased properties to achieve local and state transportation demand management and commute trip reduction objectives.

**State Capitol Committee**
**August 9, 2000**

**THURSTON COUNTY PREFERRED LEASING POLICY**
**(Amendment to *The Master Plan for the State Capitol*, June 12, 2000)**

**Policy Intent:**
One of the important goals of *The Master Plan for the State Capitol of 1991* (hereinafter "*Plan*") is "the coordination of government facility needs with adjoining communities through urban redevelopment and the creation of satellite campuses". The *Plan* calls for "new construction (of state office buildings) to be concentrated in three preferred development areas" in Lacey, Olympia, and Tumwater and promotes consolidation and co-location of state office facilities, transportation demand management and growth management principles. In addition, the Plan calls for a leasing strategy to be devised "to improve the cost-effectiveness and manageability" of leased property.

While the *Plan* identified areas for the development of state owned offices, it provided no clear direction for office space leased by the state. This Preferred Leasing Policy was added to *The Master Plan for the State Capitol* to provide clear direction on the leasing of state office space in Thurston County that is consistent and compatible with the objectives of the *Plan*.

The Preferred Leasing Policy will be further implemented with more specific Department of General Administration policies and procedures that:

1. Support growth management principles, transportation demand management objectives and the comprehensive plan goals of the cities of Lacey, Olympia and Tumwater.
2. Promote consolidation and co-location of state office facilities by coordinating with agencies and local jurisdictions.
3. Define how Preferred Leasing Areas can be adjusted or added in the future.
4. Provide exception criteria to the Director of General Administration to waive any of the leasing policies and/or procedures to better meet the business needs of state government.

**Preferred Leasing Policy**: *The State shall promote the leasing of state office space in Thurston County in the Preferred Leasing Areas.*

**Preferred Leasing Areas**

The following areas are designated as Preferred Leasing Areas (PLAs):

1. Lacey:
   (a) PLA 1: The Lacey core area, bounded by Golf Club Road on the west, College Street on the east, Pacific on the south and 6th Avenue on the north.
   (b) PLA 2: The Saint Martins satellite campus area around the Department of Ecology, south of Martin Way at Desmond Drive, west of Woodland Creek, generally north of 6th Avenue SE extended and east of the Saint Martins meadows wetlands.

2. Olympia
   (a) PLA 1: The downtown core, bounded by Capitol Lake on the west, Eastside Street on the east, 14th Avenue/Maple Park/15th Avenue on the south and the commercially zoned area of the Port of Olympia contiguous to the downtown core to the north (bounded by "E"

Avenue on the north, Marine Drive on the east, and Budd Inlet on the west).

(b) PLA 2: The Evergreen Park Planned Unit Development (PUD) area, bounded by Evergreen Park Drive SW on the north, Lakeridge Drive and Lakeridge Way on the east, and Evergreen Park Drive SW on the south and west.

3. Tumwater

(a) PLA 1: The Sunset Life Building area, bounded by Capitol Boulevard on the west and Sunset Way, Fairfield Avenue and Blass Street on the east, North Street-Custer Way on the south.

(b) PLA 2: The Tumwater satellite campus area (including Tumwater Town Center), bounded by Airdustrial Way on the south, Interstate 5 on the west, Israel Road to 6th Avenue SW to Dennis Street on the north (to include Point Plaza West), to Capitol Boulevard and then south of Peter G. Schmidt Elementary School and extending east to Bonniewood Drive and then south to Airdustrial Way (to include Point Plaza East).

(c) PLA 3: The area around the “Floor Exchange” (6300 Linderson Way SW), bounded by Tartan Drive on the south, 5th Avenue SW on the east, Linderson on the west and north. This site will be included subject to meeting appropriate location evaluation criteria, such as the provision of scheduled transit service.

The policies and procedures below are adopted by the Department of General Administration in order to implement the Preferred Leasing Area Policy of *The Master Plan for the State Capitol*. Additional policies and procedures may be adopted as necessary.

**Policy 1: Promote state office leasing in Preferred Leasing Areas**

1.1 Solicit and evaluate requests for space proposals to give priority to Preferred Leasing Areas and solicitations for **existing office space** within Thurston County to office buildings previously occupied by the state or vacant spaces within buildings caused to be built by the state.

Procedures:

(A) If a request for space is less than 5,000 rentable SF, advertisement is optional. However, GA will encourage state agencies to locate or co-locate in PLAs.

(B) If a **request for space** is over 5,000 rentable SF, GA will:

(1) First, advertise for **previously occupied office** within the PLAs and outside the PLAs, and **existing office space**, **space under construction** and **planned space** within the PLAs. Proposals will be considered in the following order:

(a) Previously occupied office space within PLAs
(b) Previously occupied office space outside the PLAs, but within the incorporated limits of the cities of Lacey, Olympia and Tumwater
(c) Existing office space within PLAs
(d) Space under construction in PLAs
(e) Planned space in PLAs

If no satisfactory space is identified, then

(2) Second, advertise for existing office space, space under construction, and planned space within the incorporated limits of Lacey, Olympia and Tumwater. Proposals will be considered in the following order:

(a) Existing office space outside the PLAs but within the incorporated limits of the cities of lacey, Olympia and Tumwater
(b) Space under construction within the incorporated limits of the cities of Lacey, Olympia and Tumwater
(c) Planned space within the incorporated limits of the cities of Lacey, Olympia, and Tumwater.

1.2 Prior to the finalization of the evaluation process, a justification for each proposal from a lower priority category that attains the highest ranking must be submitted to the Assistant Director of Real Estate Services for review and approval.

1.3 Promote **co-location** of agencies within the PLAs. Co-location refers to units from different agencies being located within the one site or building. This policy reflects the policy intent of RCW 43.82.010 (see Definitions).

Procedures:

(A) GA will evaluate requests for space for potential co-location opportunities using, but not limited to, the following criteria:

(1) Efficiencies and benefits of scale: whether there are opportunities to optimize the use of resources and facilities through shared usage and the capability to obtain output enhancing systems and facilities that are

cost effective in larger settings.

(2) Service Improvement: whether there are opportunities to improve service delivery, improve service coordination and enhance the concept of a government service center where people can go for help for a broad range of services.

(3) Critical mass: whether there are opportunities to create a critical mass that will support public transit and thus reduce transportation costs, and improve the viability of the surrounding commercial and retail infrastructure.

B. GA will inform agencies when there is a co-location opportunity in relation to a specific request for space.

C. GA will coordinate with agencies and OFM to ensure that co-location opportunities are evaluated during leasing cost discussions.

1.4 Promote **consolidation** of agencies within the PLAs. Consolidation refers to bringing together related units of same agency in one site or building. This policy reflects the intent of RCW 43.82.010 (see Definitions).

Procedures:

A. GA will review requests for space for potential consolidation opportunities using, but not limited to, the following criteria:

(1) Fragmentation of programs: whether there are opportunities to reduce the fragmentation of programs and program elements and/or improve intra-agency functional efficiency or increased effectiveness of teamwork.

(2) Service delivery: whether there are opportunities to improve service delivery.

(3) Management and communication efficiencies: whether there are opportunities to enhance management and communication efficiencies.

(4) Duplication of services: whether there are opportunities to reduce duplication of services.

(5) Resource costs: whether there are opportunities to reduce the cost of staff, equipment and space.

(6) Travel costs: whether there are opportunities to reduce travel time and costs needed to coordinate between facilities.

(7) Efficiencies of scale: whether there are opportunities to take advantage of efficiencies of scale.

B. GA will inform agencies when there is a consolidation opportunity in relation to a specific request for space.

C. GA will coordinate with agencies and OFM to ensure that consolidation opportunities are evaluated during leasing cost discussions.

1.5 Promote agencies to remain in PLAs by identifying benefits and opportunities for these agencies.

1.6 Promote **high density**. High-density development creates a concentrated urban environment where people can live, work, shop and play and reduces the infrastructure costs associated with sprawled development. In addition it facilitates a pedestrian and transit friendly environment, one of the aims of each local government's Comprehensive Plan.

1.7 Promote **mixed use** where appropriate. This term refers to residential, office commercial and retail co-existing in close proximity to one another.
Procedures:
A. When an agency submits a request for space, in consultation with the agency, evaluate whether the agency's program(s) is compatible with the concept of mixed use.
B. Identify mixed use sites during a market search that can be included in the site evaluation process.

1.8 Avoid future leasing by state agencies of street-level retail/commercial space, except for state operations involving direct service delivery or for programmatic requirements.

**Policy 2: Coordinate leasing efforts between branches and within levels of government.**

2.1 Coordinate procurement and budget impacts of new/expanded office space requirements with OFM.

2.2 Assist state agencies to identify and evaluate opportunities for co-locating and consolidating state facilities.

2.3 Inform jurisdictions when there is an identified space need or space request over 5,000 rentable SF and provide a summary of responses/proposals to the requests for space advertisements for comment. In providing this information, GA will not disclose financial or proprietary information submitted by the proposers.

**Policy 3: The Director of General Administration may waive any of the policies and procedures above when required to support state operations.**

3.1 The criteria for such waivers may include, but are not limited to the following situations:
- An agency or agencies are already clustered in existing contiguous buildings or complexes at a leased site or area outside the PLAs.
- Leasing in PLAs would result in substantially higher cost to the agency and to the public than the market rate for office leasing outside the PLAs.
- Agencies are required to be located in certain geographical areas because of federal or state policies or programmatic requirements.
- GA staff determine that advertising for existing space will not provide a response.

3.2 Prior to the granting of any waiver, a statement of findings shall be prepared and the appropriate local jurisdiction informed of the request for waiver and provided with an opportunity to review and comment.

**Definitions:**

**Co-location and Consolidation:** RCW 43.82.010(5)—"It is the policy of the state to encourage the co-location and consolidation of state services into single or adjacent facilities, whenever appropriate, to improve public service delivery, minimize duplication of facilities, increase efficiency of operations, and promote sound growth management planning." Co-location refers to units from different agencies being located within the one site or building. Consolidation refers to bringing together related units of same agency in one site or building.

**Commute Trip Reduction Law:** A state law passed in 1991 (RCW 70.94.521-551) and amended in 1997, requiring certain jurisdictions to enact ordinances to require major employers with 100 or more employees to implement programs to reduce vehicle miles traveled and drive alone rates of their employees. The goals of CTR are to reduce air pollution, reduce traffic congestion and reduce fossil fuel consumption.

**Comprehensive Plan:** A coordinated land use policy statement by the governing body of a city or county that is adopted pursuant to the Growth Management Act. It typically includes land use, housing, capital facilities, utilities, transportation, open space and other issues affecting the physical development of a community.

**Existing Office Space:** A building with footings, foundations, and roof in place.

**Planned Office Space:** A project, with at a minimum, final site plan approval from the controlling municipality, SEPA determination of non-significance (DNS) or mitigated determination of non-significance (mitigated DNS), and lender's letter of credit or letter of interest. Proposer must control land through valid purchase or option contract, or fee ownership, or long-term lease.

**Previously Occupied Office Space:** An office building previously occupied by the state or vacant space within a building caused to be built by the state.

**Space under Construction:** A project, with at a minimum, a building permit, and a loan commitment or proof of funds necessary to complete the project. Proposer must control the land through fee ownership or long term lease.

**Space Request**: This is a formal document submitted by an agency to the Department of General Administration's Division of Real Estate Services requesting space for a particular unit. The agency must identify specific needs and provide justification for seeking new space.

**Transportation Demand Management**: Use of strategies to reduce the use of single-occupant vehicles and vehicle miles traveled and the demand for parking.

**State Capitol Committee**
**August 9, 2000**
**Draft Minutes**

**Members Present:** Lieutenant Governor Brad Owen
Marty Brown, Director, Office of Financial Management
Governor Locke's Designee
Commissioner of Public Lands Jennifer Belcher
Secretary of State Ralph Munro

**Business Meeting**
Lt. Governor Owen called the meeting to order at 10:00 a.m. and informed the Committee that Governor Locke was unable to attend the meeting and that Mr. Brown, Director of the Office of Financial Management (OFM) would represent the Governor. He announced that the agenda was published in the *Seattle Daily Journal of Commerce* and *The Olympian*.

Lt. Governor Owen asked for approval of the June 12, 2000, State Capitol Committee (SCC) meeting minutes. The minutes were approved as written.

**Thurston County Space Needs Study**
Mr. Fredricks, Deputy Director for General Administration (GA), updated the committee on what GA has accomplished to implement the Committee's decision to establish state Preferred Leasing Areas (PLA's). Mr. Fredricks also discussed policies that will require more planning and coordination than currently exists for both state-owned and state-leased office facilities.

Mr. Fredricks stated that the Legislature's 1999-2001 Capital Budget included the Thurston County Lease and Space Planning Project, which studies the state's leasing and space planning needs in Thurston County for the next 10 years. A final report to the Legislature (Report #7) will be completed in December 2000. GA has gathered factual planning information from state agencies, local jurisdictions, developers and other stakeholders about how the state can best meet its business needs and how the state should develop new leased and owned office space. The study's Report #4 was published in May 2000, Report #5 will be published in mid-August, and Report #6 will be published in September 2000. (Note: Report #5 was published in September and Report #6 will be published in October.)

On June 12, 2000, SCC approved recommendations to refine and revise the boundaries of Preferred Development Areas (PDA's) in the local jurisdictions, and to establish preferred areas for lease development (Preferred Leasing Areas or PLA's). There are two objectives in implementing these policies: to direct state office development, owned or leased, into areas that complement community development objectives; and, to ensure that the use of existing office buildings in the community meets customer service and state business needs.

Mr. Fredricks stated that SCC also approved the addition of a PLA in Tumwater, with the understanding that the site would meet the transportation standards established for state government offices. GA has discussed transportation policies with Intercity Transit, the developer, and the permitting jurisdiction to address the criteria required for the proposed development. It appears that the site will meet the necessary requirements.

GA has developed a proposed policy framework for the remaining planning that is required to complete the Thurston County Space Needs Study. Mr. Fredricks said that the first objective is to complete the work that will enable the Governor and the Legislature to move forward in a coordinated way to meet long term needs. The second objective is that both private and public facilities will meet certain characteristics that will improve citizen services and minimize costs to state agencies and taxpayers. The third objective is to provide facilities that operate efficiency and complement community development objectives, which are supported by the Legislature, state agencies, local government and the public.

Mr. Fredricks reviewed the Thurston County Space Needs Study reports to date and stated that GA will continue to prepare and share information with other state agencies, local jurisdictions, developers and the community to help provide valuable input for subsequent reports. SCC members will continue to make decisions at their October 10th and December 12th meetings to help GA complete the assignment. Based on SCC's approval, GA will finalize Report #7, which will be submitted to the Legislature in December 2000.

Mr. Fredricks reviewed six general planning principles that GA proposes to use. The first principle concerns the expectation that state government will grow as the state's population increases and state laws change. For example, state employment is growing in the Department of Corrections due to changes in the state's sentencing laws, which have resulted in higher incarceration rates. Also, the state's educational systems have grown due to the baby boomer echo that has increased the number of people in schools at all levels. In light of continuing growth, Mr. Fredricks remarked on the importance of anticipating and accommodating future state government needs.

Secretary Munro suggested that page four, item one, should include an indication that although it is GA's goal to minimize the expansion of state buildings, population growth will likely require additional buildings.

Secretary Munro also recommended that page four, item four, should include a statement about serving the public (under the section headed "Agencies should consider the following when deciding how to meet program needs").

Commissioner Belcher presented a detailed map of state lands that the Department of Natural Resource (NRB) manages, including land that belongs to the Capital Building trust. She indicated that when the state was created in 1889, the founders recognized that government would continue to grow over time. Consequently, they set aside state lands specifically to support the upkeep and growth of public buildings at the state capital. According to the map, 108,000 acres are dedicated for this purpose. Commissioner Belcher indicated that SCC, GA and the Legislature should plan beyond the traditional 10-year period and begin planning for 20 to 50 years in the future. The state needs to plan for enough space to adequately support long-term state and community needs. She suggested beginning a process to adopt a long-term vision in SCC's planning process. This planning process should include a trigger mechanism that would determine how long to lease buildings and at what point the state should move into state owned facilities.

Commissioner Belcher suggested making decisions now about property ownership, so that the state will be able to meet future building needs. She indicated that existing property will grow in value and become less accessible over time, and suggested reviewing the acquisition of property now for future government growth. She advised that thoughtful consideration should place state buildings in ideal settings that will provide appropriate services for state and public use.

During the SCC pre-meeting, Commissioner Belcher and GA discussed agencies that are *currently located* on the Capitol Campus versus what agencies *should* be located on the Capitol Campus. Commissioner Belcher stated that the needs of state government have changed and suggested re-evaluating what agencies should be located on campus. Commissioner Belcher mentioned the need for a state science building that could meet the needs of a number of agencies that use laboratories.

Commissioner Belcher said that she would discuss ways to maximize assets of state trust lands with the new Lands Commissioner, to better support building programs for the state capitol. Most of the trust property is located in prime timber country, but there are other opportunities to exchange, sell or invest those properties. Commissioner Belcher suggested that SCC and DNR could review and reposition the state's assets to support the building and construction needs of the state capitol. She suggested that GA provide a draft strategy for review, including the next steps of the planning process to put the state back on track. Commissioner Belcher indicated that each one of the squares on the map is 640 acres, approx. 100,000 acres total and indicated that the trust assets are managed with strict requirements governing the sale of properties. Also, state law stipulates that the forest acres cannot be reduced and it may be necessary to modify the law.

Secretary Munro indicated that he supports Commissioner Belcher's concept for analyzing state government needs in a broader perspective and using the trust lands as a possible exchange. He stated that the Olympia school district has been purchasing property for future use.

Secretary Munro stated that a state science facility could be developed in cooperation with the Evergreen State College, South Puget Sound Community College, or Saint Martin's College to pool resources and fill the needs of all entities.

Mr. Fredricks said that GA would work with DNR to determine which property could be candidates for exchange or sale, reporting back to SCC at the October 10th meeting. Based upon discussion on October 10th, GA will further develop a specific proposal that could be incorporated into DNR's and/or the Governor's budget for the next biennium.

Mr. Fredricks continued to review the six planning principles that would help guide GA in completing the Thurston County Leases and Space Planning project and asked for SCC approval. He explained that the policies are organized into two groups to better understand and achieve the desired outcome. The first section is called the "Applicable Existing Master Plan Strategies," which have been in place for nine years and would be a reminder that there is a policy system currently in place that would serve as guidance when appropriate. The second section is called "Proposed New Strategies," which are conclusions that were reached based upon analysis over this last year's work. Mr. Fredricks indicated that if SCC approves the six proposed planning principles, GA would further develop the details in the final report to the Legislature.

Mr. Fredricks referred to the "Development of New Facilities" policy and stated that the 1991 Master Plan advocated a strategy to reduce state-leased facilities to 20%. At that time 40% of the space occupied by the state was state-owned and 60% was leased. Three new buildings were under construction, which would have inverted the percentage to 60% owned and 40% leased. Over the last 10 years the state has not authorized additional state-owned buildings and has continued to lease office space, bringing the proportion to 50% owned and 50% leased. Currently, the state has no interest in reducing the proportion of leased space to 20% and recommends that this policy be eliminated. Mr. Fredricks stated that GA recommends leveraging the capitol trust lands to acquire Thurston County property, which the local jurisdictions have identified as suitable sites for future state office buildings.

Mr. Brown suggested removing the 20% stipulation and changing the language, so that the policy will state that the proposed strategy is to reduce the percentage of leased space.

Mr. Brown referred to the proposed policy for "Development of New Facilities," item number six, under "Proposed New Strategies" and suggested coordinating with OFM, GA, and the Legislature in order to accommodate Commissioner Belcher's request and get projects through the Legislature.

Mr. Fredricks referred to the proposed policy standards and indicated that GA has amended the proposed new strategies with the following language: *Apply the JLARC Lease versus Ownership financial model to state office building decision-making using state cost experience and standards*. The development community suggested adding the JLARC model to the list of strategies. OFM capital budget instructions have added a requirement to align leasing decision-making with public works decision-making. The administrative action has already been introduced and GA is committed to using the JLARC model as proposed.

Commissioner Belcher stated that the JLARC model uses a very short time frame, 20-25 years or less, for its analysis. She indicted that it is an inadequate model for evaluating lease versus ownership because it does not look at the true life cycle cost of a state building. Commissioner Belcher suggested reviewing alternative models and analyses with longer cycles. Most buildings that are built begin to see their true cost efficiencies after 20 years. She stated that if the JLARC model is used, the argument for ownership will always fail. Commissioner Belcher suggested that information about longer term cost comparisons be examined and brought to SCC for further consideration.

Mr. Brown indicated that the language amending the proposed new strategies, *using state cost experience*, attempts to address that consideration. He also indicated that the state does not have to be limited to a 20-25 year time frame.

Mr. Fredricks indicated that once a state agency moves into a building, they seldom move out. Also, costs incurred throughout the serviceable life of a building should be reflected in GA's modeling and analysis.

Mr. Fredricks referred to the proposed finance policy and stated that there will not be as much general obligation bond capacity for state building construction as there was 10 to 15 years ago. Buildings will have to be financed in a "pay as you go" manner. State law requires that GA recover construction financing through tenant rents. Rent payments service debts incurred with certificates of participation and reimbursable bonds and this is an approach that the state will continue to pursue. There will be exceptions on the historical west campus that will require unique funding.

Commissioner Belcher indicated that in previous years the state has sold bonds based on the income stream from the trust lands. She suggested that this might be a possibility for the state, because these are a dedicated asset source. She suggested reviewing that possibility as it relates to the bonding capacity. Also, there might be an exception for bonds outside the 7% that are funded specifically by an asset source that does not come from the general fund.

Mr. Fredricks indicated that the way GA structured the financing proposal for the Legislative Building Rehabilitation relied on trust revenues dedicated to the project. Based on the renovation analysis, there are sufficient Capital Building trust revenues to support the historic west campus.

Secretary Munro referred to Location, item number 10, and suggested adding noise or public disturbance to the proposed statement "Facilities with a lower expectation of public use should be located on the southern boundary of the campus."

Secretary Munro referred to Location, item number 12, and suggested rewriting the policy to indicate which campus the policy refers to.

Secretary Munro inquired if the public provided input toward the draft motion. Mr. Fredricks indicated that all of the ideas have been in the four printed reports, which have been made widely available to the public. GA has distributed over 200 copies of each report and the reports are available on the GA website and on CD-ROM. Although the public has not been given the set of policy statements for input, a public forum is planned for the latter stages of the project. GA will report the findings to the next SCC meeting in October. Secretary Munro expressed his interest in hearing the results of the public testimonies.

Secretary Munro suggested adding the word *preliminary* to the draft motion. Commissioner Belcher seconded the motion. The SCC members agreed unanimously to incorporate the amendment to the motion.

The State Capitol Committee unanimously approved the following motion:

*The State Capitol Committee adopts the following preliminary policies to (1) guide GA in completing the Thurston County Lease and Space Planning project and December 2000 report to the legislature directed in the 99-01 Capital Budget, (2) form the basis of a request for legislative authority to begin a comprehensive 10-year facility management and new development program which results in (3) state facilities that better meet the needs of the public and state agencies:*

***1. Management of Existing Facilities: The state will manage its existing owned and** leased properties for:*

- *Optimum customer service delivery and agency performance;*
- *Maximum consolidation and co-location; and*
- *Best long-term cost effectiveness.*

***2. Development of New Facilities: The state will develop both build-to-own and build-to lease facilities to meet its business needs in a continuous, rather than intermittent, way.***

***3. Standards: The state shall only build or lease new office space if it meets appropriate state performance, quality and cost standards.***

***4. Location:** The state will build-to-own in Preferred Development Areas and build-to-lease state offices in Preferred Leasing Areas. The state may also build-to-lease in Preferred Development Areas.*

***5. Finance:** State-owned offices will generally be financed with bonds or certificates of participation reimbursed by their tenants except for offices on the historic West Capitol Campus.*

***6. Transportation Demand Management: The state will locate, develop and manage its owned and leased properties to achieve local and state transportation demand management (TDM) and commute trip reduction (CTR) objectives.***

Lt. Governor Owen indicated that even though SCC recommends the above motion, there will be opportunities to refine the final direction before the end of the year.

Mr. Fredricks thanked SCC for their guidance. He said that GA would present Report #6at the next SCC meeting on October 10, 2000. Final public comments will be presented at the December 12th SCC meeting.

*See attachment for a summary of SCC revisions to lease and space planning policies or strategies.*

<u>Director's Report</u>
Marsha Tadano Long, Director of GA, indicated that several significant capital planning and construction activities are currently underway on the Capitol Campus. An updated list was distributed that covered each project purpose, scope and current status.

- Legislative Building North Stairs Repairs & Handrails
- Sandstone Maintenance Program - Pilot
- Governor's Mansion
- Heritage Park
- Law Enforcement Memorial
- Millennium Carillon
- Capitol Lake Adaptive Management Plan
- Office Building Two Rehabilitation
- East Campus Plaza Repairs

Ms. Long provided an overview of projects that were requested by members and distributed the newest Millennium Carillon brochure.

<u>Other Business</u>
Secretary Munro suggested developing a policy that would only allow plaques at future memorials for people to whom the memorial is dedicated. He stated that plaques for people involved in developing the memorial should be avoided.

Secretary Munro thanked all the staff for their wonderful work on the Dolliver Building project.

Secretary Munro suggested adding the subject "Swimming at Capitol Lake" at the next SCC meeting. Secretary Munro indicated there are lots of people in the community that want his assistance and are very dedicated to cleaning up the Deschutes River that would aid in cleaning up Capitol Lake.

Secretary Munro suggested that SCC consider securing a funding source that would assist with requests that his office has received for county courthouses due to lack of funds in the counties. He noted that the Legislature created a heritage account for historic structures that might be an available source.

Lt. Governor Owen asked for remaining remarks from the committee. None were presented and the meeting adjourned at 11:00 a.m.

**CAPITOL CAMPUS DESIGN ADVISORY COMMITTEE**
**SEPTEMBER 28, 2000**

**THURSTON COUNTY LEASE AND SPACE PLANNING STUDY**
**PURPOSE: GUIDANCE**

The purpose of this agenda item is to update the Committee on actions taken by the State Capitol Committee at their June 12 and August 9th meetings, and to review and provide guidance on staff work produced to date that will be presented to the October 12th meeting of the State Capitol Committee. Grant Fredricks, General Administration Deputy Director, will make the presentation.

BACKGROUND

This material, to be included in Report #6, is a summary of preliminary conclusions resulting from 17 months of intensive data gathering and analysis about Thurston County state offices. These conclusions are in six areas:

1. Management of existing owned and leased facilities.
2. Development of new leased and owed offices.
3. Performance, quality and cost standards.
4. Office locations.
5. Financing state offices.
6. Transportation demand management.

This analysis has also raised some questions that the public, local government, state agencies, state landlords and office developers can help answer. Some of the questions are general, focusing on what it is that the state is trying to do, and what principles and assumptions should help shape the state's approach to state office development. Other questions are more specific, focusing on alternative ways to meet state facility needs.

The purpose of Report #6 will be to promote and facilitate a rich dialogue among all the parties affected by state facilities:

- The public representing state taxpayers and community residents.
- Local government including host cities, Thurston County, Intercity Transit and the Port of Olympia.
- State agencies and their employees.
- Private property owners and developers – the state's landlords.

The dialogue will lead, we hope, to general agreement on

1. What the state should do about its existing owned and leased facilities and
2. How the state should develop new state offices to meet its needs and over the next ten years achieve Governor Locke's vision of great customer service and innovative and efficient government operations.

This agreement will be the basis of the December 2000 report (Report #7) to the state legislature as directed in the state capital budget.

NEXT STEPS

Based on CCDAC's guidance and feedback from other stakeholders, General Administration will finalize a report to the legislature to present for State Capitol Committee at their December 12th meeting.

Attachments:

Key Conclusions about Thurston County Lease and Space Planning
State Capitol Committee Direction, 8/9/00
Key Dates, Thurston County Lease and Space Planning
Stakeholder Questions, Thurston County Lease and Space Planning

# Appendix E: Developer Meeting Materials

Meeting #9 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, June 14, 2000

| | |
|---|---|
| Introductions & Preview of Meeting | Grant Fredricks |
| June 12th State Capitol Committee Meeting | Grant Fredricks |
| GA Policies & Procedures to Implement Preferred Leasing Area Policy Approved by SCC on 6/12/00 | Mark Lahaie/ Michael Van Gelder |
| OFM's 01-03 Capital Budget Instructions | Bob Bippert |
| GA Report #4 | Grant Fredricks |
| GA Report #5 | Craig Donald |
| Upcoming State Capitol Committee Meetings | Grant Fredricks |

August 9 : Leasing standards & practices
Draft alternative 10 year strategies
October 10: Alternative 10 year strategies
December 12: Approve preferred alternative

| | |
|---|---|
| Next Planning Steps | Grant Fredricks |

Next Meeting – Wednesday, July 12th, 11-12

Meeting #10 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, July 12, 2000

| | |
|---|---|
| Introductions & Preview of Meeting | Grant Fredricks |
| GA Policies & Procedures to Implement Preferred Leasing Area Policy Approved by SCC on 6/12/00 | Mark Lahaie/ Michael Van Gelder |
| OFM's 01-03 Capital Budget Instructions | Bob Bippert/Grant Fredricks |
| GBOLA Suggestions to Improve Current Lease Procurement Process | GBOLA |
| GA Report #4 Questions | Grant Fredricks |
| GA Report #5 | Craig Donald |
| Upcoming State Capitol Committee Meetings<br>August 9: Leasing standards & practices<br>Draft alternative 10 year strategies<br>October 10: Alternative 10 year strategies<br>December 12: Approve preferred alternative | Grant Fredricks |
| Brainstorm Ideas to Incorporate in Alternative Strategies | Grant Fredricks |

Next Meeting – Wednesday, September 13th, 11-12

Meeting #11 with Developers and Lessors

State Facility Planning in Thurston County

Room G-3, GA Building
11 AM, Wednesday, September 13, 2000

Introductions & Preview of Meeting

Review of Suggestions for Lease Process Improvement (p. 1)

Preview of GA Report #5 (p. 3)

Key Conclusions about Thurston County Lease & Space Planning (p. 5)

State Capitol Committee Direction from August 9th (p. 7)

New Dept of Health Consolidation Concept (p. 17)

Key Dates for Final Input on Legislative Report (p. 21)

Next Meeting – Wednesday, October 11th, 11-12

# Appendix F: GBOLA Letter, August 29, 2000, on Report #4

**GOVERNMENT BUILDING OWNERS & LESSORS ASSOCIATION**

*P. O. Box 4436 • Tumwater, WA 98501 • (360) 754-0793 Phone/Fax • ctobeck@home.com E-Mail*

August 29, 2000

Government Building Owners & Lessors Association
P.O. Box 4436
Tumwater, WA 98501

Re: Report #4, Thurston County Lease and Space Planning

Ladies and Gentlemen:

At your request, I have completed a review of Report #4 of the Thurston County Lease and Space Planning study titled *Space Planning and Agency-Level Planning Updates*. As you may already know, this report is the fourth of seven reports to be generated by the Department of General Administration over an 18-month project directed by the 99-01 Capital Budget. The report is divided into two sections, the first dealing with Space Planning Considerations and the second dealing with an Agency-Level Planning Update. The sections will be discussed separately followed by discussions of pertinent items included in the Appendices.

**Section I – Space Planning Considerations**

*Facility Planning, How State Office Buildings are Currently Planned, Location Analysis and Evaluation, Co-location and Consolidation, Cost and Location Considerations in Facilities Decision Making, Beginning to Identify Consolidation Opportunities*

This section first outlines and describes how leased and owned state office buildings are currently planned. This is nothing new. This is followed by a discussion of location analysis and evaluation. Within this analysis, accessibility, mass transit, pedestrian, and bicycle considerations are all mentioned. Location analysis and evaluation is then followed by a discussion of co-location and consolidation and all of its benefits including items such as efficiencies and benefits of scale, service improvement, flexibility, and critical mass. Cost and location considerations in facilities decision making is then discussed. At this point the reader will probably come to a conclusion that the state office buildings of the future should be a campus of large buildings serving as a focus of transit and efficient customer service, and with the arguments presented, why not. (Cost is why, but this is not discussed yet.) The narrative continues with a list of all of the office leases in Thurston County, first presented by location, and then by state agency. It is important to note that the double-listing of space (by location and by agency) may be lost by some that may view it as a singular list of space. The placement of this list is clever as it gives a strong impression of a far-flung empire. The narrative continues with a discussion of space management techniques such as 1.) Initiate new development and then backfill strategically; 2.) Exploit market-initiated office space vacancies; 3.) Exploit agency-initiated office space vacancies; and, 4.) Space swaps. Basically, these are the methods to be used in the current climate with no new state-owned development.

*Facility Costs and Standards*

The report includes a copy of a staff memo to the Joint Legislative Audit and Review Committee (JLARC). This memo dated January 25, 2000 specifically addresses the JLARC Model as a tool for Making Capital Budget Decisions. Beyond my discussion here, a copy of this memo should be distributed to all GBOLA members. After giving some background on the JLARC Model, the memo states that the JLARC staff is "very pleased" that the JLARC Model is serving its intended purpose. Additionally, the memo states that "the Department of General

Administration has been responsive to audit findings and recommendations, and has built upon and improved what was already becoming...a rigorous and consistent method of comparing capital alternatives." The memo continues with three specific points to keep in mind when using the JLARC Model.

1. The model is a tool for providing decision-makers with information on the relevant, quantifiable economic costs associated with alternatives. It is only a tool, however, and decision-makers must still exercise judgement, especially concerning qualitative factors, in making decisions about capital projects.
2. Each capital proposal, or consideration or alternatives should include a sensitivity analysis so that decision-makers can know how responsive the model outputs are to changes in some of the major assumptions. One such assumption is the discount rate, which appropriately, has received much discussion lately. (I think they are talking about a range of rates, not a wholesale change to the rate they should use.)
3. The quality of the model is no better than the quality of the information inputs. Particularly important are assumptions of potential savings resulting from capital investments. For this reason, the 1995 JLARC performance audit included several recommendations that are aimed at ensuring that:
   - For each project, the Director of the Office of Financial Management shall review the analysis and attest to its accuracy and completeness. This review should include a sensitivity analysis and should take place before submission of the project to the Legislature for approval; or in case of long-term leases, prior to the Department of General Administration entering into the lease;
   - For project proposals in which estimates of operational savings are included, the agency or agencies that would be responsible for achieving the savings should submit plans, as part of proposals, for reducing agency spending commensurate with the estimated savings; and,
   - The Director of the Office of Financial Management should establish a process for tracking and reporting operational savings identified in the agency plans that are included in legislatively approved projects and long-term leases.

The JLARC memo is very important to GBOLA's position as it re-asserts the JLARC model as the quantitative decision-making tool. The memo does also indicate the importance of qualitative considerations, but JLARC still gives these qualitative issues a "price backdrop" that cannot be ignored. In other words, if the JLARC model shows a new state office building to have a $12 million higher net present value than the alternatives, qualitative issues then have to compete with a $12 million price tag.

Following the presentation of this memo, the report takes the opportunity to attack the JLARC model with the mention of GBOLA in a less than flattering light. Criticism first focuses on the accuracy of past estimates. Examples of office buildings in Spokane and Seattle are presented. In both cases, projected rental increases were much less than what actually occurred. In Spokane, GBOLA estimates were compared to estimates by GA and showed that GA was very close while GBOLA was too conservative. In the Seattle example, again earlier estimates were shown to be too low; however, it appears (although not specifically described in the narrative) that GA controlled the estimates. Attacking a model that, by design, is intended to look in the future because of several retrospective examples is not fair. And even if you treat this as an indictment, it is not the model that is at fault, it is the assumptions going into the model. The word "fault" is one word to stay away from in this instance, unless one believes that the Seattle brokerage community is at fault for expecting office rents would flatten out in 2000 instead of what turned out to be a continued strong rise.

The attack on the GBOLA model continued and as seen below in a very terse and opinionated manner.

> In the State of Washington, the life cycle cost (JLARC) model has been a facilities development decision-making tool since 1996. But should life cycle cost modeling be a decision *facilitating*, a decision *influencing*, or a *deciding* tool? Disturbingly, it appears that the JLARC model has become a screen through which all development projects must pass to be considered – so in a way, it has become a *deciding* tool. That fact combined with a conservative series of assumptions (e.g. residual value calculated on construction costs + land value only) has led to the rejection of some operationally beneficial projects.

> Some have proposed sensitivity analysis methods (a recommended part of JLARC modeling) as the solution. However, thus far the worst of the generated scenarios have been used to beat down proposals for new development.
>
> If the only purpose of the life cycle cost scenarios is to find an alternative that shows "the project won't work", a wide range of scenarios won't be proposed. Likewise, when the assumptions are continually pressed to be more conservatively applied (e.g. higher discount rates), if forces the life cycle cost model to a ridiculous extreme.
>
> Other factors that are becoming important are the limitations on bond debt and possible limits on the use of Certificates of Participation. In the future, both these limitations will likely result in otherwise "cost beneficial" projects being rejected for lack of funds.
>
> If the intent of the life cycle cost analysis process is to depress the development of state-owned properties, it is having the desired effect. If the purpose is to provide decision-makers with decision-facilitating tools, it has partly failed.

After reading this editorial, one could hardly believe that GA was give money to "study" lease and space planning. It is plain to see GA is an advocate for state-owned buildings and will attack anything that questions that stance. It is also disturbing that this agency is in charge of producing the JLARC model for projects with its prejudice now presented in a formal manner.

After this harsh criticism, the report describes a "Balanced Scoreboard Approach", an approach that should be looked at because "recent research indicates that sole reliance on financial information for decision making can lead to flawed decisions." No reference was made to what research this was. It is presented that the State of Washington has adopted a modified Balance Scoreboard Approach for decision making, but as before no reference was made to when this was done or what type of decisions are subject to such an approach. The Balance Scoreboard Approach incorporates 1.) Financial and Social Cost; 2.) Value and Benefit; 3.) Customer and Constituents; 4.) Internal Business Process; and , 5.) Learning and Growth. The discussion incorporates many buzzwords and consultant-speak. The call for the Balanced Scoreboard Approach was supported by a characterization that the "JLARC Model has become the primary decision-making tool with regard to ownership v. leasing. Unfortunately, the focus on the cost of ownership v. leasing has resulted in otherwise worthwhile projects being shelved."

*Cost Standards & Estimating*

This part of the report discusses GA's estimate of development costs, operating expenses, and required rental rates to support a number of development scenarios. The schedules are comprehensive. A review of the figures does reveal any apparent issues; however, this is where the strength of the GBOLA membership has to come forward. Select parties should review these figures with comment direct to GA.

*Transportation Demand Standards for State Facilities*

This presentation includes numerous standards to manage transportation demands for a new building. The standards reference a number of materials and do not appear to be any official document other than the opinion of the authors. This appears to be another building block supporting the position of GA. Although these standards may be innocuous at first, no doubt they will be used to disqualify other projects from consideration. Basically, eliminating the competition by setting the rules of the game.

*Inventory of Existing, Planned & Proposed Space (Thurston County – January 1, 2000)*

The report includes a comprehensive list of projects. Future occupancy plans of existing space is noted if planned or proposed projects are built. This list should be used to identify probable dark buildings if the state builds its buildings.

*Development Considerations – Conceptual Planning Charette, City of Olympia*

This portion of the report discusses GA's efforts to work with the City of Olympia in establishing areas and standards for the development of a state office building. GBOLA members are probably fairly up to date on this issue. Basically, this is a way for GA to expand its universe of development options. Also, as related to the above item, it is probably another step in creating standards and narrowing the competition of those buildings that could possibly meet these standards.

**Section II – Agency-level Update**

This section of the report summarizes office locations for the various state agencies. Of most importance in this section is the January 31, 2000 cover letter from Grant Fredricks of GA introducing the Transportation Agencies Consolidation (Co-location) Study – Space Inventory. The letter describes 1,067,000 square feet of office space planned by the private sector subject to state requests. About 37,000 square feet is proposed by the state (built and owned), with an additional 261,000 square feet (DOH) being proposed to be built by the private sector and then later purchased by the state. A 374,000-square-foot Transportation Agencies Building is under consideration. The cover letter finishes with a statement that about 591,000 square feet of office space will be vacated if the Capitol Addition, Department of Health, and the Transportation Agencies Building are authorized. The effects on the Thurston County real estate market due to this vacancy are not mentioned.

**Appendices**

The appendices begin with Appendix A, which includes "Recently Asked Questions about Thurston County Leasing." The leading questions and answers are just as one-sided as the opinionated attack on the JLARC Model earlier in the report. The questions and answers are presented in a way that easily leads one to their side. One should be appalled at the inclusion of the following question and answer (No. 20) even after lengthy discussions about this matter earlier this year.

> Q. Are the DOH-leased buildings in Tumwater scheduled for demolition?
>
> A. The owner of seven of the buildings in Tumwater, which contain approximately 64,000 square feet, has indicated in the past that the buildings would be demolished upon lease expiration in September 2003. The owner recently clarified that he would not require DOH to move out so that he could demolish the buildings.

The connotation is that the building owner is indifferent to DOH's occupancy and will demolish these buildings at his leisure, directly opposite to owner's true intentions. This example gives the slant of the remaining questions.

The most important remaining sections of the appendices deal with Preferred Leasing Areas and Preferred Development Areas. This issue needs to be followed closely as no doubt the use of boundaries will be used to further GA's agenda.

**Recommendations**

After reviewing Report #4, I have the following recommendations.

1. Expose GA's obvious bias to all interested parties. It should be shown that the money given to GA for Thurston County Lease and Space Planning should be for a "study" and not for a comprehensive public relations campaign to support the state agencies in a push to develop their own buildings. The attack on the JLARC Model in light of the JLARC Staff's current assessment and recommendations is outrageous and should be brought forward. Why is the use of the JLARC Model as a screen for all projects "disturbing" to GA?

2. At one point, the report discusses the cities' (Olympia, Tumwater, & Lacey) desires to keep existing office buildings full, or in other words, no dark buildings. An informal or formal public relations campaign should be started to basically show that 500,000+ square feet of vacant office space in Thurston County with no state back fill will create a lengthy real estate recession in the County. Demolition is not automatic and dark buildings will be a reality.
3. Continue to question standards created by the agency (GA) that will eventually steer the decision making process. It is unfair to have one player decide the rules of the game. It is obvious that these standards will give them ammunition to not consider existing buildings in future JLARC Model comparisons.
4. Emphasize GA's position that it is unfortunate that the focus on cost has shelved projects. Whose money are they spending anyway?
5. As always, support the JLARC Model in all decisions, but also make sure that the choice of alternatives always includes the status quo as well as alternative lease scenarios. GBOLA needs to be a vocal steward in the use of assumptions.
6. The "three points to keep in mind" concerning the JLARC Model included in the JLARC Memo should be pursued.
7. A group of GBOLA members, probably those members involved with development in Thurston County, need to review cost and rent schedules presented in this report. Silence will only be taken as acquiescence.

If you have any questions about my review of the report and my recommendations, please do note hesitate to call me.

Respectfully Submitted,

Richard T. Arscott, MAI

# Appendix G: Ravenhurst Development, Inc., May 16, 2000, on Tumwater Town Center Retail Feasibility

RAVENHURST
DEVELOPMENT INC

May 16, 2000

Michael Matlock
Planning and Facilities Director
City of Tumwater
555 Israel Road SW
Tumwater, WA 98501

Dear Michael:

Ravenhurst Development, Inc. was asked to critique the Tumwater Town Center master plan, provide city planners with an assessment of the market feasibility of the program and suggest ways the plan could move forward with private developer support. This was not intended to be an exhaustive review – instead it was to be a one-day visit resulting in some pragmatic observations about the project.

Darrell Vange, President of Ravenhurst Development, visited the site on May 3rd, 2000, toured the trade area and spent the day with Michael Matlock, Planning and Facilities Director for the City of Tumwater, and Tim Smith, Associate Planner. He also reviewed the City's Land Use Plan - Chapter 13, the Port of Olympia's Comprehensive plan dated May 1995, and the Tumwater Campus Plan prepared by the Washington State Department of General Administration dated November 1992.

The following comments represent his observations and preliminary recommendations regarding the City's plans for the area. After these comments are circulated amongst City staff, Mr. Vange is scheduled to meet with the City Council and Planning Commission to discuss the property and these observations.

**Observations on Market Potential**

This report is specifically not a market analysis. In fact the exercise was initiated because we suggested that a market study would not be site-specific enough to provide tangible development recommendations. Nevertheless, it is possible to make some observations about the various sub-markets based on our tour of the market area and our own development experience.

**Office Market Potential:** It is evident from the new Point Plaza West project and the Point Plaza East complex currently under construction that there is a market for additional office space in Tumwater. We did not see any evidence of strong

701 FIFTH AVENUE SUITE 5050, SEATTLE, WA 98104-7011 TELEPHONE: (206) 233-2793 FACSIMILE: (206) 233-2795

private sector office demand, but to the extent that the State needs new office space, Tumwater appears to be a viable location for those offices. Staff indicated that Lacey has chosen not to promote their "preferred development area" for State offices, which enhances Tumwater's ability to capture that growth.

**Retail Market Potential:** The retail market potential is likely to be much more limited. There is some potential for restaurants and services after a significant office campus is constructed, but the site does not lend itself to an urban retail environment in its current condition. Any retail facility built in the town center would have to be situated where it could also draw on traffic from the freeway and along Capital Boulevard, which would limit its contributory benefit to the "Town Center" concept. Except for a theater, discussed below, we see very little retail potential in the near term.

**Theater Market Potential:** One of the critical elements in making Town Centers successful is entertainment uses, which bring customers to the area when the offices are closed – on evenings and weekends. Because of the current market conditions in the Olympia/Lacey/Tumwater area (few and obsolete screens), there is considerable interest on the part of movie theater operators to locate a major new complex somewhere in the three-city area. If the theater could be incorporated into the plans, it would be a tremendous boost for the Town Center complex. A theater would likely be interested only in the General Administration Option site, at the freeway interchange.

**Residential Market Potential:** The current plan has a residential district as part of the master plan. This appears to be adequate, since there does not appear to be a shortage of other available land for residential development. Until the Town Center project reaches critical mass, the higher development costs would likely outweigh the urban neighborhood amenities, and prevent any significant residential development from occurring.

**Mixed-Use Potential:** Mixed-use buildings are the most expensive and the most risky to develop. They require a site where the potential for at least two uses (office, residential or retail) is strong enough to overcome the additional costs of locating two uses within one building. This condition does not appear to exist in Tumwater. However, it is possible, with a large enough site, to plan an urban neighborhood where the three uses can co-exist and complement one another, without imposing the economic penalty of placing them within the same building. This would certainly be possible in Tumwater, and some of the buildings would have a mix of uses, but the mix would be determined by the market rather than by the zoning code.

**Potential for the "Town Center" Concept:** Overall, the Town Center concept appears viable, based mostly on the perceived demand for State office space. With sufficient office space, the program can support a certain amount of retail and restaurant space as well. But even with 2 million square feet of offices, the retail demand will probably not exceed 20,000sf (excluding restaurants).

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Residential demand will depend almost entirely on whether the greater project creates an exciting and dynamic urban environment. Without significant public funding for infrastructure and public space, you may see additional office development projects similar to the Point Plaza properties, but you will not get the urban character and the mix of uses. The plan looks like Redmond Town Center, but keep in mind, Redmond was developed by a single, private developer, in a market with massive incomes, tremendous growth, and a ten-year de facto moratorium on downtown development.

**Comments on the Land Use Plan**

The Town Center Neighborhood Plan, as articulated in the city's Land Use Plan, is similar to the program prepared by the State in their Tumwater Campus Plan in 1992, but with less detail. The grand vision on the State's plan might have been possible if implemented by the State, but it is a difficult program to assemble on a piecemeal basis through mere land use restrictions.

**Large site:** The town center area is huge, comprising over 190 acres. In a suburban office context, this may be ten large projects, but as a pedestrian-scaled downtown, it is easily fifteen blocks long. Except for the Labor and Industries parcel and the civic campus, none of the area is developed in a manner that supports the plan, and the undeveloped or under-developed land probably represents a ten to fifteen year supply.

From a density standpoint, the existing concentrations of office space are on the two ends, with the L&I complex on the west end and the Point Plaza projects on the east end. It would be helpful if any new development were on one end or the other, so that some critical mass could be formed. The entire site is probably too large to expect to fill within a reasonable time period (say over the next ten years), and some method to focus development would be helpful.

**Internal orientation:** Both the State plan and the City's master plan are internally-oriented; they both turn their backs on Airdustrial Way, which is the principal frontage street for the district. While this may be appropriate for a purely government campus, it creates difficulties for a privately-developed, market-driven office complex, and is a terminal disadvantage for retail shops.

**No gateways:** If the project is going to be internally-oriented, it will need major entries at key intersections to direct people into the complex. These would convey the quality and character of the project as well as serve as traffic directors. These should occur at the Israel/Capital intersection, at Linderson/Airdustrial, and perhaps at a few other entry points.

**Limited/fractured ownership:** One of the biggest hurdles to development is the lack of City ownership of any of the parcels, and the fractured ownership of the property in general. While some street right-of-ways may exist, many others must be acquired. Add to this that the area is covered by the City's comprehensive plan, the Port's comprehensive plan and the State's office campus program. If this vision is to succeed, only one entity can be in charge, with the consent and support of the other two.

**Fire station corner:** To the extent possible, the new town center should expand on the existing commercial district rather than create a competing center. The existing office district is moving down Capital Boulevard as evidenced by the two Point Plaza properties. The town center plan should acknowledge and pull in these two projects, and the Israel/Capital intersection is the connection between them. The old fire station site is therefore a very important parcel in the plan to connect the two. It may also be an important parcel in structuring a mutually satisfactory deal with the Port for future development.

**Infrastructure/Amenities:** Simply putting new development standards in the land use code is not going to attract many developers. You need to give them something in exchange for the restrictions they are conforming to. This should probably be in the form of an extensive street system, pedestrian improvements and public open space. Given the scale of the area, individual developers cannot afford to put in enough of the improvements to make the district come together.

**Comments on the NBBJ Master Plan:**

The State master plan included many of the components that a property of this scale will require, such as the grand street system and generous open space. It also tried to connect to Capital Boulevard in a significant way. But as a government campus, it could afford to be internally-oriented since it did not function as the downtown center for Tumwater. The new scheme must be much more inviting, and businesses and retailers must be visible from the perimeter.

**Recommendations**

1. **Rethink the scope and scale of the project.** Divide the project into phases. Start on one end and build toward the other end. Concentrate development as much as possible, because activity and bustle create a dynamic urban environment. Build on the density that already exists and connect the project to the city through Capital Boulevard.

2. **Expect to spend some significant money on infrastructure.** It is wishful thinking to hope the private developers will pay for it all. They will instead try to build somewhere else.

3. **Coordinate and collaborate with the State and the Port.** The State is your customer and the Port is your land partner. The program has to work for

everyone, and like the City, the Port has to generate revenues from its land holdings. This will result in a slower, more difficult and complex process, but it may also produce financial support from the other agencies if you can accomplish their objectives along with your own.

**4. The Next Planning Steps:**

- Hire an urban designer on a fairly limited scope of work, to solve some of the access and circulation issues of the site. We could help you prepare a scope and identify the designer. Someone like Dennis Haskell at Hewitt or NBBJ or Merritt+Pardini would be appropriate. You do not currently have enough design information for a developer to incorporate into their site planning, or for them to fit into a particular scheme.

- With the designer or on your own, work out the circulation and perimeter access issues. Resolve the future of the old fire station site. Determine whether access from Capital Blvd is possible. Identify the project gateways.

- Conduct a developer round table with City staff, the Port and local developers that are either doing projects in the area, own land in the Town Center zone, or might be candidates for future work. The meeting might be moderated by the urban designer.

- Incorporate the civic campus plan into the Town Center plan. One should complement the other. The civic campus should not turn its back on the balance of the properties.

- Consider a focussed market research study, with the emphasis on projecting State office demand. Evaluate the cost of current development projects compared to the rental rates and lease terms that the State can agree to.

**5. The Next Action Steps:**

- Promote the Town Center property as a theater location. This would require an agreement with the State to drop or modify their option agreement, agreement with the Port for a ground lease for the theater, and commitment by the City to a certain level of infrastructure improvements. The program could also necessitate finding a developer to build and own the theater building, as the theaters may want to lease rather than own. It is possible that if you could convince a theater to accept the location, you could also attract two or three restaurants and some other retail activity.

- Start the infrastructure development process. Decide what you can commit to, determine a funding structure, do some capital budgeting, and start land assembly.

- To the extent possible, build a stronger relationship with the Department of General Administration. The Town Center is very similar to the Tumwater Campus Plan that they prepared. It would create an attractive environment for State employees, without the State having to build the complex. You should be able to garner significant support from them, and perhaps secure some specific commitments. There may be some grants or capital improvement funds that would help pay for the infrastructure improvements that are needed.

A one-day visit cannot uncover all of the issues or identify all of the solutions. This is a significant property with good market potential, but to accomplish the vision you have laid out will take time and a major commitment on the part of the City. I look forward to discussing many of these issues with you and with your council members in the near future.

Sincerely,

Darrell M. Vange